FINANCIAL TIMES

Europe's Business Newspaper — FRIDAY APRIL 15 1994 — D8523A

Minister admits Air France losses may reach FFr9bn

Air France, the French state-owned airline, is expected to announce a loss of between FFr8bn ($1.37bn) and FFr9bn for 1993, substantially higher than previous estimates of a FFr7.5bn deficit, French transport minister Bernard Bosson said. Last September, Mr Bosson said the loss for 1993 would probably be about FFr5.5bn. In 1992, Air France reported losses of FFr3.2bn. Page 19

Serbs shell safe haven: The Bosnian Serbs received stern warnings from the White House and Nato after troops threatened a UN compound near Sarajevo with a tank, and shelled the safe haven of Tuzla. Page 18

New world trade body considers agenda: The 120-plus nations at the ministerial meeting of the General Agreement on Tariffs and Trade in Marrakesh have begun to set the agenda for future trade negotiations even before the formal signing today of the Uruguay Round world trade accords. Page 18; Agenda takes shape, Page 8

Losses deepen at Cockerill Sambre: The crisis in the European steel industry was highlighted when Cockerill Sambre, Belgium's largest steel maker, announced a loss of BFr6.5bn ($184m) for 1993, compared with a loss of BFr1.4bn the previous year. Page 20

Mediators pull out of South Africa: An attempt to resolve South Africa's political crisis through foreign mediation collapsed as mediators left the country's political parties to their disputes. Page 6

Lebanese detain Iraqis over killing: Two Iraqi diplomats were held by the Lebanese authorities on suspicion of assassinating a prominent opponent of President Saddam Hussein in Beirut. Page 7

Belgian UN troops to quit Rwanda: Belgium is to pull its 420-man United Nations contingent out of civil war-torn Rwanda, placing the UN's role in the country in doubt. Page 6

US and Seoul in nuclear talks: The US and South Korea will begin talks tomorrow in Seoul on efforts to renew negotiations with North Korea over inspections of its nuclear facilities. Page 7

Russia seeks to bind CIS economies: Russia, which today hosts the Commonwealth of Independent States summit, will propose the creation of an inter-state economic committee to be based in Minsk, the capital both of Belarus and the CIS. Page 3

Axa, second largest French insurer, announced a 31.8 per cent increase in net profits to FFr2.04bn ($340m). Page 19; Lex, Page 18

Scudder in £50m trust launch: US fund management group Scudder Stevens Clark is entering the UK by aiming to raise about £50m ($73m) by the end of the month through a new Latin American investment trust. Page 24

Soldiers mutiny in Lesotho: Dissident soldiers shot dead Lesotho's deputy prime minister and seized four cabinet ministers in a mutiny apparently over a planned government probe into the army, diplomats said. Page 6

Italian parties reach compromise: The three main parties of Italy's Freedom Alliance agreed on compromise candidates for speakers of the two houses of parliament, paving the way for a smooth opening of Italy's 12th postwar legislature today. Page 2

J.P. Morgan, the New York banking group, reported a 20 per cent fall in first-quarter net income to $345m, due mainly to a sharp drop in revenues from trading in global financial markets, which turned sour two months ago. Page 19

Charges over Chile metals losses: Two former executives of Codelco, Chile's state copper company, have been charged with defrauding the state in connection with losses of more than $200m made on metals futures trading in London and New York. Page 4

Laura Ashley 67% ahead: British fashion company Laura Ashley remained tight-lipped about the sudden departure of its American-born chief executive as it announced a 67 per cent increase in pre-tax profits to £3m. Page 23

Forte profits fall: Hotel and restaurant group Forte announced full-year pre-tax profits of £121m ($176.7m), compared with £164m, and said it had seen little improvement in the economies in which it operated. Page 19; Lex, Page 18

STOCK MARKET INDICES

FT-SE 100:	3,131.7	(-14.1)
Yield	3.88	
FT-SE Eurotrack 100	1,467.07	(-8.97)
FT-SE-A All-Share	1,582.7	(-0.4%)
Nikkei	19,987.20	(-73.21)
New York: lunchtime		
Dow Jones Ind Ave	3,665.93	(+3.56)
S&P Composite	446.63	(+0.27)

US LUNCHTIME RATES

Federal Funds:	3 7/16%
3-mo Treas Bills: Yld	3.623%
Long Bond	87 13/32
Yield	7.29%

LONDON MONEY

3-mo Interbank	5¼%	(same)
Liffe long gilt future:	Jun 107 17/32	(Jun 108 1/32)

NORTH SEA OIL (Argus)

Brent 15-day (Jun)	$14.83	(14.55)

Gold

New York Comex (Jun)	$380.3	(379.9)
London	$377.5	(378.2)

STERLING

New York lunchtime:		
$	1.4755	
London:		
$	1.4771	(1.4751)
DM	2.5239	(2.5275)
FFr	8.6307	(8.6435)
SFr	2.1397	(2.1273)
Y	153.731	(152.955)
£ Index	80.0	(same)

DOLLAR

New York lunchtime:		
DM	1.712	
FFr	5.85425	
SFr	1.4485	
Y	104.25	
London:		
DM	1.7088	(1.7135)
FFr	5.8432	(5.8598)
SFr	1.4425	(1.4422)
Y	104.08	(103.695)
$ Index	66.3	(same)

Tokyo close Y 103.8

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	XSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira60	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.80	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr18
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00
France	FFr9.00	Kuwait	Fils525	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Esc225	Turkey	L13000
						UAE	Dh12.00

Angry Leipzig counts the cost of Schneider fall

By Judy Dempsey in Leipzig

"Damn him and his greed!" said Horst, who has been working on reconstruction of Leipzig's once elegant Hotel Fürstenhof for the Jürgen Schneider property group.

"This bloke comes with all the money from the west, thinks he can do what he wants and then dumps us. He had better not come back here. Because if he does, well, I'd rather not say what I would do with him."

Horst and his colleagues were told yesterday morning to pack their tools and leave the building site – a vast hole flanked by a fragile nineteenth century façade. "We won't be coming back here for a while unless the banks do something. Huh!"

They are not alone in Leipzig in reacting with anger, underpinned by *schadenfreude*, to the collapse of the Schneider group precipitated by the disappearence on Friday last week of its 59-year-old founder and chief executive.

Yesterday Deutsche Bank and the Frankfurt prosecutor's office launched separate legal actions alleging fraud against Mr Schneider, while a meeting of bankers decided not to push the group, whose liabilities are thought to total DM9bn ($5.2bn), into bankruptcy.

Leipzig is asking local banks to help support more than 3,000 contractors and subcontractors after the collapse.

Mr Hinrich Lehmann-Grube, the mayor, has set up a working group comprising the city, the association of enterprises in Saxony, and the local trade and industry chambers.

"We have to limit the damage as much as possible," said Mr Christoph Sorge, a spokesman for the city. "The Schneider case has created a serious psychological problem with respect to the market and property prices."

Schneider faces two allegations of fraud ....Page 17

"That guy pushed up the rents too much in Leipzig," said one retailer. "He tried to control the most prestigious parts of the town centre. He has got what he deserves. But a lot of people will suffer."

He had rented from CIP, Mr Schneider's property agent, whose offices are located on the second floor of the beautiful Mädler-Passage, a sought-after site in the heart of Leipzig.

The retailer, who asked not to be named, initially said he had rented the property for DM80 a square metre. But when pressed further he said: "OK. OK. We have to pay DM200 per square metre. I have to pay monthly. I don't know if I can cope. It really is high. I am running up debts."

By mid morning, there were only four people in the dozen or so small, elegant shops, whose prices – targeted at tourists and professionals – are too high for most Leipzigers. Mr Ulrich Thevas, an employee at CIP, tried to play down the affair. "We have no problems with our clients. Everything will be fine. We have rented out every square metre."

The retailers themselves are beginning to question their rents. "The going rate in the centre of the city for office space is about DM50," said Mr Matthias Happ from Jones Lang Wootton, the international property consultants.

But the going rate for retail property in the city centre was now between DM120 and DM150, according to another consultant. He said Schneider had been able to raise retail rental rates beyond that level because of the shortage of prime renovated property in the centre of Leipzig.

Mr Schneider arrived in Leipzig soon after the collapse of the Berlin Wall in November 1989. "He took one look at some buildings and went for them," one official from the city council said. Mr Sorge elaborated: "In some cases, he bought directly from the state itself - in fact three properties. But he paid up. The city is not owed any money."

Continued on Page 18

Bundesbank cuts key rates by quarter point

Falling inflation justifies move despite money supply

By David Waller in Frankfurt and Sara Webb in London

The German Bundesbank yesterday lowered its key interest rates by a quarter of a percentage point, saying that falling inflation justified the cut in spite of rapid money supply growth.

The reduction of the discount rate to 5 per cent and the Lombard emergency borrowing rate to 6.5 per cent was followed by rate cuts in Switzerland, Austria, Belgium, the Netherlands and Denmark and raised expectations of similar moves by Italy and France.

The Bundesbank's move, which brings short-term interest rates to levels last seen five years ago, came despite explosive growth in Germany money supply this year.

The cuts signal the bank's determination to continue its policy of slow, small reductions in short-term interest rates. Although the cut in the Lombard rate was expected, the reduction of the discount – the first since mid-February – surprised financial markets.

Mr Hans Tietmeyer, Bundesbank president, said: "We have studied the situation very hard today and we are convinced that we are on the way to fulfilling our most important goal, that of achieving price stability. Thus the decision [to cut rates] is appropriate despite the strong monetary expansion."

Mr Theo Waigel, finance minister, praised the move as encouraging a further strengthening of

Cuts win praise ....Page 3
Rise in exports to EU cuts UK trade gap ....Page 9
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the economy. The influential German Banks' Association said the cuts showed the Bundesbank's willingness to provide support for the economy within the framework of its stability-oriented monetary policy.

Despite the rate cuts, the D-Mark strengthened to close in London at DM1.7088 against the dollar compared with DM1.7135 on Wednesday, and was also higher against most European currencies.

European government bond markets jumped initially on the rate cut news, although the performance of some, including Germany's, later showed uneasiness about the possibility of higher US interest rates and concern about the pace of Germany's cuts in rates.

Mr Tietmeyer said that stripping out the impact of higher taxes on mineral oil, the inflation rate was 2.5 per cent in the first three months of this year.

He said the inflationary outlook had improved as a result of moderate settlements in this year's wage round as well as added flexibility in the labour market which benefited the economy as a whole. He said the credibility of the Bundesbank's monetary policy had been vindicated this year as German long-term interest rates had risen by only 0.4 per cent compared to a rise of 1.3 per cent in US long-term

Continued on Page 18

Hans Tietmeyer: 'We are convinced we are on the way to fulfilling our most important goal, that of achieving price stability' Reuter

US jets destroy own helicopters over north Iraq

By Jurek Martin in Washington

US Air Force jets accidentally shot down two US Army helicopters over northern Iraq yesterday, apparently killing all 26 people on board, including two British officers. President Bill Clinton expressed "deep sorrow" at the loss of the lives of those on "a mission of mercy" to protect Iraqi Kurds, and promised a full inquiry.

He said "about 12" US crewmen had been lost. Mr Malcolm Rifkind, the UK defence secretary, who was in Washington for talks, confirmed that two British officers appeared to be among the victims, while one French and three Turkish officers had also died. Some civilians may have been on board.

Mr William Perry, US defence secretary, assumed "full responsibility" for the disaster, but was able to report only "sketchy" details in a preliminary morning briefing. US search and rescue missions have been sent to the site.

The incident took place, Mr Perry said, about 0850 GMT, 34 miles north of Irbil in Iraq. Two US F15C fighters mistook the Black Hawk helicopters for Iraqi Soviet-made Hind helicopters violating the "no-fly zone" over northern Iraq.

The zone was established by the UN in 1991 to protect the Kurds from attack by the Iraqi military in the wake of the Gulf War. A comparable prohibition on Iraqi aircraft covers the south of the country, protecting Shia Moslems.

Both Mr Perry and General John Shalikashvili, chairman of the joint chiefs of staff, were unable immediately to explain the misidentification both by the F15s, which could see the helicopters, and by a patrolling AWACS radar aircraft.

It was also unclear whether the helicopters had filed necessary flight plans and whether there had been any voice communication between the fighters and the helicopters before both jets fired their missiles. "Clearly something went wrong," General Shalikashvili said.

Mr Rifkind said the incident was particularly serious because "it happened not at a time when we are at war, nor when visibility was poor".

A Kurdish spokesman said the helicopters were ferrying officials from the UN office in Zakho, near the Turkish border, to a meeting with Kurdish leaders in Salahaddin in the central Kurdish region.

About 70 US, British and French fighter aircraft operate their no-fly zone patrols from the Nato base at Incirlik, in southern Turkey. The combined task force goes under the title Operation Provide Comfort.

Electronics giants reach accord on digital VCR design

By Alan Cane in London

A costly battle over the design of the next generation of video cassette recorders has been averted by an agreement on technical standards between the world's leading consumer electronics companies.

The accord, reached in Tokyo yesterday by the 50 members of the HD Digital Conference, is expected to avert a standards war of the kind that marred the introduction of analogue video recorders.

Sony had led the way with its technically superior Betamax format but eventually – in what was an expensive failure – had to concede defeat to JVC, which was more successful in persuading video film suppliers to use its VHS standard.

Mr Andrew House of Sony, acting as spokesman for the companies, said in Tokyo that digital technology would change the VCR industry "in the same way that digital has changed the music business by replacing vinyl records with compact discs".

Other members of the HD Digital VCR Conference include Matsushita and Toshiba of Japan, Philips of the Netherlands and Thomson of France. The computer companies IBM and Apple of the US are members because digital VCRs can be used to store computer data.

The standards are for high-definition digital VCRs, which use the binary digits ("bits") of computer language rather than analogue signals to record images and sounds. Digital VCRs will give greatly improved picture quality and make for cleaner tape copies.

Industry executives believe digital VCRs could be in the shops as early as next year. They are expected, however, to be expensive, with some estimates putting the cost of a machine at up to $3,000.

Digital VCRs have been used by professionals for some time, but until recently were too large for domestic use. The new machines will use tapes about two-thirds the size of a conventional VHS cassette with 4.5 hours recording time. Smaller versions will be possible.

VCR manufacturers have been encouraged to agree a standard among themselves because the costs and risks of taking the wrong development path are increasing. Manufacturers feel they should be able to develop products safe in the knowledge that they will not be wrong-footed by the success of a competitor's technology.

Consumers, equally, should be able to buy the new machines with the confidence that they will not be left with obsolescent products if another technology captures the market.

The agreement covers standards for VCRs used with conventional televisions and for Japan's high-definition television system. The conference said standards for a future HDTV system now being developed in the US should be ready by the end of the year.

CONTENTS

Northern League insists on 31-year-old former student activist 'to breathe new life into parliament'

Italian allies agree choice of speakers

By Robert Graham in Rome

The three main parties of Italy's Freedom Alliance yesterday buried their differences over the choice of speakers for the two houses of parliament and agreed on compromise candidates.

The agreement paves the way for a smooth opening of Italy's 12th postwar legislature today and early election of the speakers of the senate and chamber of deputies. This is the first constitutional step towards forming a new government, which is likely to be headed by media magnate Mr Silvio Berlusconi.

The Alliance parties – Mr Berlusconi's Forza Italia, the populist Northern League and the neo-fascist MSI/National Alliance – have been squabbling for four days over who should fill these two key institutional posts. The most difficult has been that of the senate, where the Alliance is six seats short of a majority and whose speaker deputises for the president of the republic.

Yesterday, the three parties agreed to propose Mr Carlo Scognamiglio, an economist and former rector of the private Rome university, Luiss. Mr Scognamiglio was a Liberal senator who transferred to Forza Italia.

His good contacts with the Rome establishment are considered likely to attract some cross-party support to help the Alliance majority. He is also well connected to the business world through his second wife, the daughter of Susanna Agnelli (sister of Fiat boss Giovanni) and his current companion, Cecilia Pirelli, daughter of Leopoldo Pirelli, the former head of the family tyre and cables group.

The agreement on Mr Scognamiglio, 49, who studied at the London School of Economics, was made possible by the withdrawal of the League candidate, Mr Francesco Speroni. The League, as the party with the most parliamentarians in the Alliance, had insisted on one of its own being the senate speaker. By persuading him to stand down, Mr Berlusconi has been able to demonstrate he is not going to be dictated to by the League with its strong federalist aims.

But as a sop, the Alliance agreed to accept a League deputy to act as speaker of the chamber. They chose to propose Ms Irene Pivetti, 31, a former Catholic student activist and League deputy for Monza in the previous legislature.

Never before has such a young and inexperienced person been proposed for this key moderating post in the chamber; but the Alliance wanted to signal their desire to breathe new life into a discredited parliament.

Commenting on the proposal to nominate Ms Pivetti, Mr Massimo Scalia, a Green spokesman, said: "We Romans are long used to being tolerant. Since Caligula proposed a horse to be senator we are not surprised by anything."

Today, as the new parliament convenes, the immunity of the members of the 11th legislature is finally removed. This means that 26 members risk immediate arrest, the most prominent being Mr Giulio De Donato, the former Socialist minister, whom Naples magistrates have been seeking to arrest on a string of corruption charges for several months.

Irene Pivetti, 31, proposed speaker of the chamber of deputies. If approved, she will be the youngest postwar speaker Reuter

EU 'should help draw in central European states'

By David Gardner in Brussels

The European Union should set up new structures to help integrate central Europe and to circumvent vested interests which could prevent these nations joining the union for at least two decades.

This is the conclusion of a report for the European Commission published today by Richard Baldwin of the Centre for Economic Policy Research, the independent think-tank.

Mr Baldwin says present arrangements consist of bilateral Association Agreements, which link the central Europeans separately to the EU. These allow limited access to the EU market, but do nothing to promote intra-central European trade and inhibit investment in the region.

Beyond the Association Agreements lies the far horizon of EU membership, promised for an unspecified future at last year's Copenhagen summit of Union heads of government. But in between, Mr Baldwin said "there is nothing to get us from here to there."

He argues that two concentric circles should be built around the EU core gradually to integrate central Europe.

The outer circle would include all central Europe and provide a duty-free zone for industrial products. Any liberalisation in one member would have to extend to all others, promoting trade on a pan-European basis. Mr Baldwin says this move would make trade policy more predictable and entice investors.

A second circle, an Organisation for European Integration, closer to the EU for frontrunners like Hungary, Poland and the Czech and Slovak republics and possibly Slovenia, would spread the single market to the region. Free movement of labour would be excluded but any central European country could move into this circle as soon as it was ready.

Although Germany, due to take over the EU presidency in July, is expected to push for Hungary, Poland and the Czech and Slovak republics to join by 2000, Mr Baldwin believes this will be resisted.

He estimates the cost of their entry in 2000 in farm and regional subsidies would be a net Ecu58bn, ($65bn) and that these four countries would need to grow at 6 per cent a year for two decades to reach 75 per cent of average EU income.

Mr Baldwin notes that EU farmers and poor regions would fight entry, richer member states will baulk at the implied 60 per cent increase in their contributions to the union budget, and small EU members will resist dilution of their powers in the inevitable reform of EU voting rules which would follow.

The need to broaden the current structure has already established itself in the Commission's current review of central Europe policy. But Mr Baldwin's analysis underplays the extent to which security concerns could propel faster integration of central Europe. Equally, his consideration of integration costs ignores the fact that the bulk of current regional aid to poor EU member states flows back to the richer countries as construction contracts and equipment supplies.

● *Towards and Integrated Europe, by Richard E Baldwin, from CEPR, 25-28 Old Burlington Street, London W1X 1LB (Fax 4471-734 8760), Price £12.95/$19.95; or in North America from Brookings Institution (Fax 1-202-797 6004.*

German parliament relaxes labour law

By Michael Lindemann in Bonn

The German parliament yesterday approved a long-awaited series of measures to relax labour market regulations and encourage job creation, thereby reducing Germany's jobless figures, which recently reached a post-war high.

The law will allow private employment agencies to enter a market which has until now been run exclusively by a state-owned agency. It will also encourage part-time working, a measure vigorously resisted by Germany's trade unions.

Unemployed people will be encouraged to do paid work to help the community without losing their benefits, and to take on more seasonal work.

The Social Democratic party and other left-wing opposition parties said the law would not create new jobs but would whittle away workers' benefits.

Unemployment reached 4.03m in January, a post-war high. There have been forecasts that the number of jobless could rise to 4.5m this year.

The official east German unemployment rate is 17 per cent, although German figures do not include people on job creation schemes, short-time work or early retirement.

With a general election in October, Chancellor Helmut Kohl hopes the new law and subsequent measures will counter suggestions the government is doing nothing.

However, it is unlikely the new legislation will bring any immediate relief to the unemployed. Analysts say the present high unemployment rate has little to do with a cyclical downturn in the economy and more with over-manning and excessive wages.

Mr Norbert Blum, employment minister, said the government had created 3m jobs in the last 10 years and that unemployment was still high in part because a further 2.6m people had entered the labour market.

Car sales on the road to recovery

By Kevin Done, Motor Industry Correspondent

New car demand in west Europe has begun a slow recovery from the worst recession since the war.

Sales rose an estimated 5.7 per cent in March to 1.25m from 1.19m a year ago, the third consecutive monthly rise year-on-year.

In the first quarter of 1994 west European new car sales have increased an estimated 5 per cent to 3.23m from 3.07m a year ago.

Sales fell sharply by 15.4 per cent in 1993 to 11.4m throwing much of the European motor industry into loss.

In the first three months this year new car sales were higher in 12 of 17 markets across western Europe, and last month the Italian car market ended 19 months of continuous decline.

The recovery has been led by the UK, which was the first large car market in Europe to enter recession, but sales are now also recovering significantly in France, Spain and in Scandinavia.

In March new car sales rose by 15 per cent in the UK, by 13 per cent in France and by 16 per cent in Spain. Last month sales were lower than a year ago in only four western European markets.

The pace of the recovery is still being slowed by Germany, the biggest car market in Europe, where new car sales are estimated to have dropped by 2.1 per cent in March to 356,000.

Carmakers are reporting a substantial increase in new orders in Germany, however.

Opel, the German subsidiary of General Motors of the US, said yesterday its intake of new orders in March was 25 per cent higher than in the same month a year ago following a 20 per cent increase in February.

The increase in new orders had allowed it to cancel short-time working planned at its Bochum plant and would necessitate extra shifts at its plant at Eisenach in eastern Germany.

Three west European countries – Denmark, France and Spain – are stimulating new car sales through the introduction of cash incentives to encourage the scrapping of old cars, and a similar move is under consideration in Italy.

PSA Peugeot Citroën of France and General Motors of the US (Opel in continental Europe and Vauxhall in the UK) have gained most ground among the big six volume carmakers in Europe in the first three months this year.

The French group increased its sales volume by an estimated 11.4 per cent in the first quarter, while GM sales rose by 9.8 per cent.

The Volkswagen group of Germany and the Fiat group of Italy, which both fell into heavy losses last year, are still losing ground in the west European market, although Seat, the VW group's troubled Spanish subsidiary, increased its sales by an estimated 13.7 per cent.

Mercedes-Benz, the German executive and luxury carmaker, is recovering sharply after suffering two difficult years and has increased its sales by 40 per cent in the first quarter, helped by the successful launch of its new C-Class executive car range.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-March 1994

	Volume (Units)	Volume Change(%)	Share (%) Jan-Mar 94	Share (%) Jan-Mar 93
TOTAL MARKET	3,225,000	+5.0	100.0	100.0
MANUFACTURERS:				
Volkswagen group	528,000	+2.5	16.4	16.8
– Volkswagen	353,000	+0.7	11.0	11.4
– Audi	82,000	–2.9	2.5	2.7
– Seat	79,000	+13.7	2.5	2.3
– Skoda*	14,000	+27.5	0.4	0.3
General Motors#	417,000	+9.8	12.9	12.4
– Opel/Vauxhall	399,000	+9.0	12.4	11.9
– Saab**	14,000	+32.6	0.4	0.3
PSA Peugeot Citroen	408,000	+11.4	12.6	11.9
– Peugeot	240,000	+6.0	7.4	7.4
– Citroen	168,000	+20.1	5.2	4.5
Ford#	385,000	+5.1	12.0	11.9
– Ford Europe	382,000	+5.0	11.8	11.8
– Jaguar	3,200	+10.2	0.1	0.1
Fiat group##	370,000	–0.8	11.5	12.1
– Fiat	286,000	+2.4	8.9	9.1
– Lancia	48,000	–9.7	1.5	1.7
– Alfa Romeo	33,000	–12.4	1.0	1.2
Renault	328,000	+0.5	10.2	10.6
BMW group†	201,000	+7.5	6.3	6.1
– BMW†	99,000	–0.3	3.1	3.2
– Rover†	102,000	+16.4	3.2	2.9
Mercedes-Benz	115,000	+39.8	3.6	2.7
Nissan	109,000	+2.1	3.4	3.5
Toyota	83,000	–2.2	2.6	2.8
Volvo	53,000	+20.7	1.7	1.4
Mazda	48,000	–10.1	1.5	1.8
Honda†	40,000	+4.5	1.2	1.2
Mitsubishi	31,000	–14.2	1.0	1.2
Suzuki	23,000	–14.8	0.7	0.9
Total Japanese	353,000	–4.1	11.0	12.0
MARKETS:				
Germany	849,000	+1.0	26.3	27.4
Italy	538,000	–8.1	16.7	19.1
United Kingdom	529,000	+16.8	16.4	14.8
France	454,000	+12.5	14.1	13.1
Spain	201,000	+15.6	6.2	5.7

*VW holds 31 per cent and management control of Skoda.
#Includes cars imported from US and sold in western Europe.
**GM holds 50 per cent and management control of Saab Automobile.
Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati.
†BMW owns 80 per cent of Rover group and is to acquire the remaining 20 per cent from Honda.
Source: Industry estimates

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EUROPEAN NEWS DIGEST

Enterprise fund for Russia

A fund to help privatised enterprises in Russia develop their competitiveness and efficiency was announced yesterday in Moscow. The fund, approved by the Group of Seven last July, will have an initial capital of $100m (£68m) and loan and other guarantees of $150m. Mr Michael Blumenthal, the former US Treasury secretary and chairman of the Fund for Large Enterprises in Russia, said the fund had already begun looking for investment opportunities. "The real process of privatisation has only just begun – and that is to make the companies focus on becoming competitive in the market," he said.

Funds have been provided by USAID, with guarantees from the Overseas Private Investment Corporation. The fund, to be headed by Mr Austin Beutner, a former merchant banker, will have its headquarters in Moscow and an office in New York. Foreign investment is picking up markedly – though from very low levels. However, political and economic uncertainties have suppressed rapid growth of foreign enthusiasm. *John Lloyd, Moscow.*

Moscow taxes currency trading

Moscow's municipal authorities yesterday introduced a 0.1 per cent tax on foreign exchange trading on the capital's currency exchanges. Bankers predicted the bulk of business would shift to the unofficial interbank market. The Moscow Interbank Currency Exchange (Micex) said the tax, which applies to all foreign currency sales and purchases through the city exchanges, took effect immediately. Plans to introduce the tax were announced earlier this year despite opposition by the central bank and commercial banks. The shift in foreign exchange trade away from Micex will hit the central bank's ability to intervene on markets, bankers said. Average trading volume on Micex is around $40m a day, well below the estimated $200m on the unofficial market. *Reuter, Moscow*

Far-right party escapes ban

Germany's right-wing Republican party is becoming increasingly extreme but members' behaviour has not reached a stage where the party could be banned, Mr Manfred Kanther, the interior minister, said yesterday. Mr Kanther said the constitutional court in Karlsruhe would throw out any case on the basis of existing evidence. Although individual party members were committing offences, this was not sufficient to ban the party.

The German Communist party was the last party to be banned by the constitutional court in the 1950s, in a case which lasted five years. Violent offences by right-wing extremists last year totalled 2,232, 15 per cent lower than the year before. Seven people died in right-wing violence last year, according to the annual report by the agency for constitutional protection. The 23,000 party members have been under observation since December 1992 in all 16 Länder (states). *Michael Lindemann, Bonn.*

Mandatory energy saving urged

Mandatory targets on energy-saving should be introduced if voluntary agreements prove insufficient to cut energy use and carbon dioxide emissions, according to a working party of the Brussels-based Centre for European Policy Studies. Over-concentration on the stalled EU carbon tax has deflected attention from energy conservation, both as a means to sharpen competitiveness and to meet EU commitments to stabilise carbon dioxide emissions, the working party said.

The working party, comprising representatives of 10 oil companies and utilities as well as manufacturing companies, prefers the voluntary approach that industry has so far emphasised in opposition to energy taxes or regulation. But it wants national targets for energy efficiency and a new title in the Maastricht treaty committed to it. If the voluntary approach falters, it calls for obligatory energy management in industry, regulations to stop utilities promoting increased consumption, mandatory standards of energy efficiency for appliances, and requirements for companies to report on energy performance. *David Gardner, Brussels.*

Sweden swinging to the left

Support for Sweden's opposition Social Democrats has risen to 50.5 per cent against 39.0 per cent for parties in the centre-right government, according to an opinion poll yesterday. The poll suggests the party is benefiting from turmoil in New Democracy, the populist party which holds the balance of power, where support has crumbled to 2.5 per cent from 4.5 per cent in a month. A Social Democrat victory in September's general election is viewed as strengthening chances of a "yes" vote in the Swedish referendum on EU membership on November 13. *Christopher Brown-Humes, Stockholm.*

Balladur survives censure move

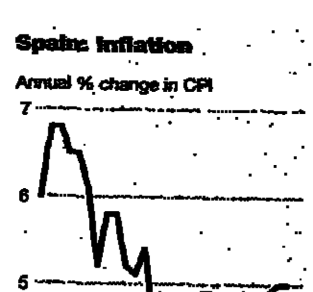
French Prime Minister Edouard Balladur (left) yesterday easily escaped censure of his government's employment policy on a motion tabled by the Socialist and Communist opposition that gained 87 votes, far short of the 289 needed for it to pass. But the prime minister was warned by his supporters that a better dialogue within his own party would have saved him from some recent mistakes. At a separate Gaullist party meeting, the leader, Mr Jacques Chirac, told Mr Balladur: "Don't be alarmed, dear Edouard, at the suggestions made by members of your majority. They are only made out of a desire to succeed together." *David Buchan, Paris.*

ECONOMIC WATCH

Spanish inflation disappoints

Spain: Inflation

Annual % change in CPI



Source: Datastream

The expected fall in Spanish inflation has so far failed to materialise as March consumer price data showed a 5 per cent rise from the previous year. The monthly increase of 0.3 per cent brought accumulated inflation this year to 1.4 per cent, slightly higher than in the same period last year. The government target for the year is to bring the rate down to 3.5 per cent. The underlying inflation rate, excluding volatile fresh food and energy prices, rose 0.5 points from February, leaving the increase compared with a year earlier at an unchanged 4.9 per cent. Bank of Spain figures meanwhile showed a 2.2 per cent monthly increase in broad M4 money supply, with an 8.7 per cent increase in lending to the private sector. *David White, Madrid.*

■ Norway's trade surplus fell to NKr1.67bn (£146m) in March from NKr3.6bn in February and NKr4.5bn in March 1993. The cumulative January-March figure fell to NKr9.90bn from NKr14.42bn in the same period last year.

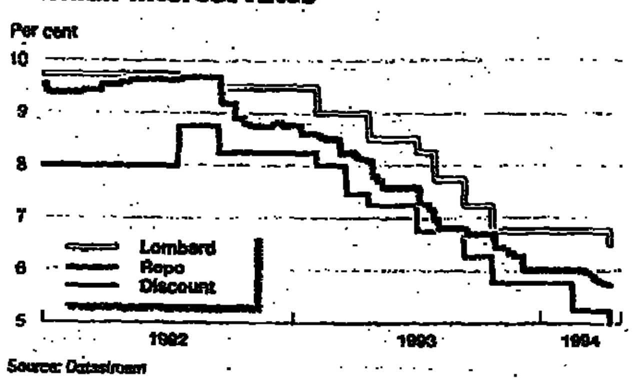
■ Italy's machine tool orders rose 30.7 per cent year-on-year in the first quarter of 1994, the first rise for three years, the industry association Ucimu reported. Domestic demand rose 17.4 per cent, while foreign orders were up 44.9 per cent compared with the same period last year. Ucimu said this was a sign of rising industrial confidence.

■ The number of registered unemployed in Poland dropped by about 19,000 in March, a jobless rate of 16 per cent.

Bundesbank rate cuts win praise abroad

By Peter Norman, Economics Editor

German interest rates



Source: Datastream

Yesterday's unexpected Bundesbank decision to cut both the discount and Lombard rates by 0.25 percentage points to 5 per cent and 6.5 per cent respectively won praise from the US Treasury and triggered a rash of rate cuts in continental Europe.

But the German central bank itself was at pains to banish any idea that it was currying favour abroad ahead of meetings later this month of world finance ministers at the International Monetary Fund or the next get-together of ministers and central bank governors from the Group of Seven countries in Washington on Sunday, April 24.

Instead, Mr Hans Tietmeyer, the Bundesbank president, underlined that the decisive factor behind the Bundesbank's decision was its expectation that inflation in Germany would fall in the months ahead to below 3 per cent in the second half of this year.

Sharply reduced inflationary expectations – reinforced by the unexpectedly favourable outcome to this year's spring wage round and falling unit labour costs – have allowed the Bundesbank to discount any inflationary implications in the very rapid growth of M3, the bank's targeted measure of money supply.

Although broad money, as measured by M3, grew at an annualised rate of 17.5 per cent in February and so well above its target growth range of 4 to 6 per cent by the end of this year, Bundesbank officials yesterday stressed that this was due to special factors.

Changes in German tax laws had provoked a massive liquidation by German investors of mutual funds held in Luxembourg earlier this year as well as substantial sales of dwellings. Cash realised through these transactions landed in German bank accounts just as bond markets worldwide were suffering the repercussions of February's move to dearer money in the US. As a result, the cash stayed on deposit, swelling German M3 numbers.

By cutting its psychologically important discount and Lombard rates, the Bundesbank hopes to persuade investors that German rates are decoupled from the rise in US rates and that they can place their money profitably in long term instruments such as German government bonds.

Such action on a substantial scale would slow the growth in M3 and could justify the Bundesbank's decision yesterday to keep to its money supply target for this year.

Although a surprise to financial markets, yesterday's German rate cuts are consistent with the cautious monetary easing pursued by the Bundesbank since the crisis in the European exchange rate mechanism in the autumn of 1992. The important repurchase or "repo" rate, which the Bundesbank uses to steer monetary conditions, was left at 5.7 per cent yesterday.

At this level the repo is slightly below the mid-point of the new "corridor" set by the discount and Lombard rates. Yesterday's rate cuts create scope for a further modest easing in German money market rates.

Although yesterday's action will have a modest fallout in terms of borrowing costs, the move was warmly welcomed by ministers of Chancellor Helmut Kohl's embattled centre-right coalition in Bonn as support for the government's efforts to boost growth and employment.

While convincing itself that it was adhering to its anti-inflationary duty, the Bundesbank appeared for once to have pleased both international and national opinion.

But a comment from the German Federation of Chambers of Commerce (DIHT) that the Bundesbank "should not neglect the still unsatisfactory growth in the money supply" in its policy decisions was a reminder of the strong support that rigorous anti-inflationary policies command in German business circles and public opinion.

The Bundesbank made record profits of DM18.83bn (£7.48bn) last year, defying the recession in Germany which its critics allege it helped to foster with unnecessarily high interest rates, writes David Waller in Frankfurt.

Mr Hans Tietmeyer, Bundesbank president, expressed satisfaction but no glee about the profits.

The profits reflect the turbulence in world currency markets last year and are up from the DM14.73bn made in 1992. Of the total, DM18.26bn was transferred yesterday to the government, where all but DM7bn of the cash must by law be used to pay off government debt as it falls due. The rest can be offset against the budget deficit.

Mr Theo Waigel, finance minister, said yesterday he was pleased with the result but stressed that the profit did not create room for more public spending. It would mean that the government would borrow DM11bn less this year on the capital markets than originally planned, he said.

Russia seeks to bind CIS economies

By John Lloyd in Moscow

Russia, which today hosts the Commonwealth of Independent States summit, will propose the creation of an Inter-state Economic Committee to be based in Minsk, the capital both of Belarus and of the CIS.

The Committee's responsibilities have not been defined – but it is likely to be seen as a forerunner of a central bank for states participating in the economic union.

Also on the agenda of the one-day meeting will be the creation of a free trade zone, agreement on the creation of transnational companies and the concept of a "payments union".

The proposal for the new institutions follows agreement between Russia and Belarus on a close economic union under which Belarus would lose all effective economic independence, its temporary currency and its independent central bank.

Mr Victor Chernomyrdin, the Russian prime minister, has made as sure as he can through active lobbying that the agreement will be ratified by the Russian parliament, while the Belarus chamber, dominated by pro-Russian deputies, is also likely to produce the two-thirds majority required.

Mr Stanislav Bogdankevich, the governor of the Belarus Bank who signed the agreement in Moscow, said in Minsk that he did so with the reservation that it contravenes the Belarus constitution and that until that is settled, he would regard the agreement as inoperative.

Mr Thomas Wolf, a senior official of the International Monetary Fund, said yesterday that the agreement could spark off "a new round of inflation" in Russia, depending on the rate at which the rouble was exchanged for the Belarus coupon – known as the "bunny".

At the CIS summit, the main problems will be with the leaderships of the two states closest – after Belarus – to Russia, Ukraine and Kazakhstan.

Tension is still high between Moscow and Kiev after the weekend incidents in Odessa where a Russian ship of the Black Sea Fleet seized radar equipment and Ukrainian militia arrested Russian officers.

A Ukrainian government spokesman said yesterday that three Russian ships were sailing towards Odessa to collect the eight naval families there but, he said "why do you need such an armada for eight families?"

Creation of an inter-state committee, a free trade zone, transnational companies and a 'payments union' are all on the agenda

Talks in Kiev on Tuesday failed to solve the underlying question of the fleet's ownership, and the issue will again be put before Presidents Boris Yeltsin of Russia and Leonid Kravchuk of Ukraine.

One certain absentee today will be President Nursultan Nazarbayev of Kazakhstan.

Mr Nazarbayev had proposed a "Euro-Asiatic Union of the Slav and Asiatic states in order to bind the western countries of Ukraine, Belarus and Russia more tightly into association with the Central Asian ones – but had been rebuffed by the Russian foreign ministry, which said it "lacked detail."

Mr Nazarbayev was said by the Kazakh embassy in Moscow to have been suddenly taken ill yesterday.

"It's a real illness," said the embassy spokesman, Mr Vyacheslav Kovolov. "It's not a diplomatic one."

Albania rattles a diplomatic sabre at Greece

Tirane fears Athens has intentions on its territory, writes Kerin Hope

Sheep-rustlers, cigarette smugglers and illegal immigrants have no difficulty evading Greek paratroopers guarding the mountainous border with Albania.

They participate in a flourishing black market in goods and services, tolerated by authorities on both sides of the frontier despite political hostility between Athens and Tirane. However, the killing of two Albanian soldiers at a training centre for recruits outside Gjirokaster on Monday raises fears that Greek right-wingers may be exploiting official laxity to undermine the socialist government's efforts to improve relations with Albania.

Mr Karolos Papoulias, Greek foreign minister, yesterday denied Albania's claim that the attack was carried out by Greek soldiers.

Proposing a meeting with Mr Alfred Serreqi, his Albanian counterpart, to discuss the incident, Mr Papoulias said Greece wants "normal, co-operative relations with Albania," but not at the cost of discrimination against the ethnic Greek minority in southern Albania.

The presence of the Greek minority in what Greeks call North Ipiros, however diminished by massive emigration to Greece over the past three years, gives the Albanian government some leverage in an awkward relationship with its neighbour. Albania fears that Greece still has territorial designs on North Ipiros, briefly occupied by Greek troops in the first world war.

Though successive Greek governments have repeated that existing borders in the Balkans must be respected, a nationalist faction in the conservative opposition New Democracy party speaks openly of the need to "maintain the Greekness" of southern Albania.

A claim of responsibility for Monday's attack by the North Ipiros Liberation Front, last heard of as a right-wing resistance group during the German occupation of Greece during the second world war, is causing the socialist government concern.

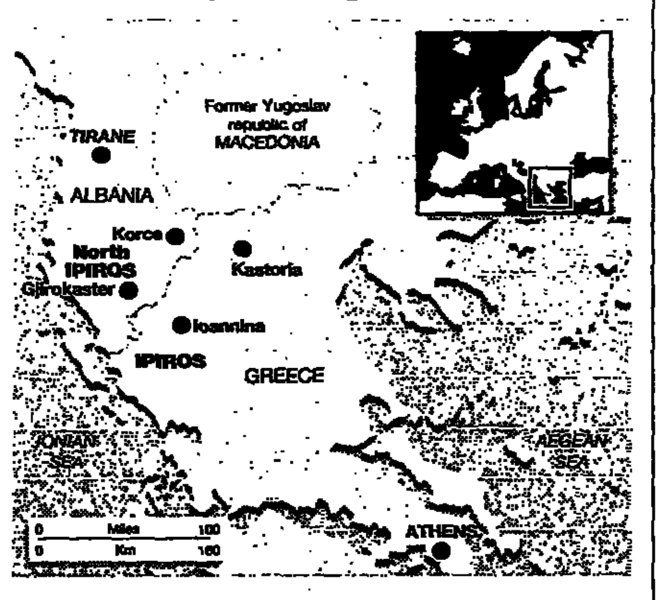
The strength of the Albanian government's reaction, expelling the Greek consul in Gjirokaster, asking the UN Security Council to condemn Greece and calling for a European Commission inquiry, underlined the anxiety felt in Tirane.

The attack followed reports that Tirane was encouraging Albanians from the north of the country to settle in the south, left uncultivated since the exodus of ethnic Greeks across the border.

At least half the estimated 200,000 Albanians working illegally in Greece claim ethnic Greek origins, entitling them to residence permits and eventual citizenship. As a result, dozens of villages in southern Albania are populated by a few elderly people and school-age children. However, the size of the ethnic Greek minority is disputed. The official Greek estimate is 200,000, while the Albanian government figure is less than 100,000.

Ethnic Greek communities claim frequent human rights violations, with Albanian authorities restricting Greek participation in privatisation of small businesses and curtailing teaching of Greek in schools.

The situation in Gjirokaster has been tense since last summer, when violent demonstrations followed the expulsion of a Greek Orthodox priest accused of distributing nationalist propaganda. Greece retaliated by expelling some 20,000 Albanian migrant workers.



Mr Papoulias, who did much to improve ties with Albania's communist government in the 1980s, has been trying again, this time with President Sali Berisha's Democratic party. One Greek official said yesterday that implementing his policy of closer co-operation with Albania on border security, customs controls and work permits for Albanian workers is "now a necessity."

US tobacco companies go on defensive

By George Graham in Washington

US tobacco companies yesterday denied that cigarettes were addictive or that they manipulated the nicotine levels in their products, as they tried to defend themselves against a ferocious assault by members of Congress.

"Cigarette smoking is not addictive," said Mr William Campbell, president of Philip Morris USA, one of the leading tobacco industry executives who appeared before a House of Representatives health committee.

The industry faces a three-pronged assault with potentially devastating consequences for its future.

The US Food and Drug Administration is considering whether to regulate nicotine as an addictive drug – a move that could lead to a ban on cigarettes containing nicotine – and the Labour Department has proposed a ban on smoking in all US workplaces, including restaurants and bars, because of the deaths caused by second-hand smoke.

Also, the tax on cigarettes is likely to leap from 24 to 99 cents (16p to 67p) a pack, to help pay for the reform of the US healthcare system.

The committee chairman, Congressman Henry Waxman, opened the ill-tempered and confrontational hearing yesterday by requiring the tobacco executives to testify under oath.

"This hearing marks the beginning of a new relationship between Congress and the tobacco companies," Mr Waxman said, before beginning a hostile cross-examination of the industry representatives.

The executives denied manipulating the level of nicotine to keep smokers hooked even when they switch to lower-tar cigarettes.

Under close questioning from Mr Waxman, all panies admitted they could adjust the concentration of nicotine in their cigarettes through blending different tobaccos.

All, however, said that they did not aim for any particular nicotine level through the blending.

"We do not design our cigarettes with any specification for nicotine. We design them for tar levels," said Mr James Johnston, chief executive of R J Reynolds.

But Mr Waxman said a study by Mr Alexander Spears, now vice-chairman of Lorillard, another cigarette company, showed in 1981 that the tobacco industry had deliberately aimed to raise nicotine levels in low-tar cigarettes.

Mr Spears yesterday told Mr Waxman that he had totally misunderstood the evidence.

RJR share move, Second Section

Clinton objects to caning sentence by Singapore

President Bill Clinton yesterday renewed his objections to a Singaporean court's decision to cane a US teenager for vandalism, reports George Graham in Washington.

Michael Fay, an 18-year-old student at Singapore's international school, was sentenced to six strokes of the cane, four months in jail and a S$3,500 (£1,500) fine for vandalism.

Fay is expected to appeal next week to President Ong Teng Cheong for clemency over the caning, but diplomats say that Mr Clinton's repeated interventions have drawn so much attention to the case that there is now virtually no chance of Singapore overturning the sentence.

Mr Clinton referred to the possibility of permanent scarring and said US public opinion, overwhelmingly on Singapore's side, had mistaken the gravity of the punishment.

Charges over Chile metals losses

By David Pilling in Santiago

Two former executives of Codelco, Chile's state copper company, have been charged with defrauding the state in connection with losses of more than $200m (£135m) made on metals futures trading in London and New York.

Mr Owen Guerrini and Mr Carlos Derpsch, former head and deputy head of sales respectively, were the immediate superiors of Mr Juan Pablo Dávila, the futures operator accused of making the unprecedented losses.

Codelco, the biggest copper producer in the world, accounts for 20 per cent of Chile's foreign exchange earnings.

The two former executives were charged on Wednesday and both were denied bail. Mr Dávila, also charged with defrauding the state, is also being held.

A fourth executive, Mr Gonzalo Trivelli, former vice-president of sales, was released for lack of evidence. His uncle, former President Patricio Aylwin who stepped down last month, has proclaimed Mr Trivelli's innocence.

Various teams investigating the futures losses have still not discovered exactly how Codelco managed to lose the equivalent of 0.5 per cent of Chile's gross domestic product in a matter of months.

It remains unclear whether controls to prevent big losses were deliberately circumvented or whether the board of directors had been informed of Codelco's speculative – rather than hedging – activities. Even the amount of losses, put at anywhere between $207m and $312m, is still in question.

The new administration of President Eduardo Frei has pledged to modernise the unwieldy structure of Codelco. Privatisation has been ruled out but the company's six divisions are to be split into autonomous units, some of which would be able to undertake joint ventures with the private sector. Codelco speculation on metals futures has been suspended indefinitely.

Reviewing a fatal aerial engagement

Jurek Martin examines the downing of two helicopters over Iraq yesterday

An American Sikorsky Blackhawk helicoper of the type shot down over the no-fly zone in northern Iraq yesterday — Picture: AP

The chairman of the US joint chiefs of staff, General John Shalikashvili, almost bristled yesterday when asked a question about the rules of engagement of US forces operating under UN mandate and over Iraq. The general made clear that such rules were not in the public domain, for good reasons of mission security.

But the tragic incident over the skies of northern Iraq yesterday – an apparent accident – combined with the circumstances of the Nato air strikes against Bosnian Serb positions around Gorazde this week to demonstrate the extent to which authority to initiate action may now be vested in local commanders.

This represents a marked departure from the military practices of the Cold War, when it was assumed that decisions to take offensive actions were passed to the highest levels of the chain of command in both Washinghton and Moscow, including the offices of the respective heads of government.

This was not an infallible safeguard, as the downing in 1983 by Soviet fighters of the Korean airliner to the north of Japan showed. Nor, in the US case, were local commanders completely hamstrung, as was demonstrated in 1987 when the USS Vincennes, sailing in the Gulf, misidentified and shot down an Iranian Airbus.

In both Bosnia and Iraq, US officials made clear this week that no prior authorisation for each action by the president or his secretary of defence was now necessary. In the case of Bosnia, the authority to call in air strikes resides with UN military and civilian officials in New York and on the ground, specifically and respectively General Sir Michael Rose and Mr Yasushi Akashi.

In the US view, Russian anger at not being informed in advance of the Gorazde air strikes, even if that anger was relatively muted, might have reflected real or feigned ignorance of the automatic rules of engagement of the Nato air force. They point out that even President Bill Clinton himself was not apprised of that action before the event.

Pending further knowledge of the latest incident over Iraq, all Gen Shalikashvili could suggest yesterday was that the US Blackhawk helicopters had been misidentified by the two F-15 jets which had shot them down, even though visual contact had been established and even though an Awacs US radar aircraft was on patrol at the time.

In New York, a UN spokesman emphasised that the downed helicopters were neither on a UN mission nor were part of any operation under the organisation's authority. He said they were from a military co-ordination centre set up by Operation Provide Comfort, a multilateral exercise by the US, Britain and France, albeit under the terms of UN resolutions.

Gen Shalikashvili resisted suggestions that operating procedures had been broken. A clear comparison exists with the incident, days after Mr Clinton took office last year, when US fighters shot down Iraqi jets flying in apparently clear violation of the northern Iraq no-fly zone. The decision to engage in combat was taken on the ground.

There is political concern in the US, shared by Mr Clinton, about any abrogation of US military command and control in international peace-keeping or enforcement operations. This reached a pitch last autumn after 18 US troops in Somalia were killed in a Mogadishu firefight, a disaster brought about at least in part by the determination of Mr Boutros Boutros Ghali, UN secretary general, to strike at General Aideed, the Somali warlord.

Weeks before, Mr Les Aspin, then US secretary of defence, had refused a request for reinforcement from the US ground commander in Somalia, on the grounds that it would send the wrong signal while peace negotiations were being explored. The administration's overall conclusion was that the views of local US commanders should be respected.

But there was no inclination yesterday to shift the blame for what happened over Iraq to local commanders. Both Mr William Perry, secretary of defence, and Gen Shalikashvili assumed "full responsibility" for what happened. They implied that all local rules of engagement under the UN umbrella will be thoroughly reviewed.

Brazilian MPs expelled

The Brazilian Congress has expelled two members over a bribery scandal, congressional officials said yesterday, agencies report from Brasília.

The legislature voted late on Wednesday to strip Mr Carlos Benevides of his mandate. He is the son of a former senior congressman and was a leading member of the Democratic Movement Party (PMDB), the biggest in Congress. Earlier, a substitute legislator, Mr Feres Nader of the Brazil Labour Party (PTB), was also expelled.

The two were the first to be sanctioned among 17 deputies recommended for expulsion by a special Congressional commission examining a bribery scandal that shocked Brazil when it came to light last October.

The 17 are accused of having manipulated public funds and having received bribes to obtain public contracts for private contractors.

Three of the 17 accused have resigned their mandates rather than risk being stipped of them.

Apart from losing their Congressional seats, the expelled deputies will be barred from public office for three years.

Mexican kidnap threat

Kidnappers who seized the chairman of Mexico's largest banking group last month have threatened to kill him unless their demands are met, agencies report from Mexico City.

"We're set on executing him if you don't fulfil our conditions," said a copy of a typed letter, dated Tuesday and addressed to Grupo Financiero Banamex-Accival, which is headed by billionaire Mr Alfredo Harp Helu.

He was abducted on the morning of March 14 while driving to work from his home in Mexico City.

The letter was accompanied by a hand-written plea, apparently from Mr Harp, and a photograph of him beside a newspaper dated April 12. "Pay the ransom, my life is in danger, give me the opportunity to return to you and to my family," said the letter.

Banamex-Accival officials were not available to comment. Police said the family had asked that the police stay out of negotiations.

The documents did not disclose the ransom being sought or any conditions set by the kidnappers, who accused the financial group of callousness in hiring insurers to assist in the case.

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UN Rwandan role in doubt as Belgians quit

By Leslie Crawford in Nairobi and Gillian Tett in Brussels

The United Nations was yesterday searching for ways to salvage its peacekeeping operation in Rwanda following a decision by Belgium, the former colonial power, to pull out its 420-man UN contingent from the strife-torn nation in central Africa.

Mr Willy Claes, Belgian foreign minister, said in Brussels that the inadequate protection provided for the UN troops meant that it was now "senseless" to continue the operations under the existing mandate, established after a 1990 peace agreement in Arusha.

The UN presence, he said, had been unable to prevent the deaths of tens of thousands of people in Belgium's former colony. Furthermore, there was such an anti-Belgian climate in Rwanda that soldiers' lives were in danger.

Mr Claes notified Mr Boutros Boutros Ghali, UN secretary-general, of Belgium's intention to withdraw at a meeting in Bonn this week.

Yesterday, visibly angry over the events, Mr Claes added that "the credibility of the UN is now at stake".

Claes: 'terrible, terrible'

His comments reflect the disgust felt by Belgian politicians about the poor protection provided for the UN troops in Rwanda following the massacre of 10 Belgian soldiers last Thursday – deaths that occured in a "terrible, terrible" manner, Mr Claes said. The 10 were executed by rampaging Rwandan soldiers in the violent aftermath of President Juvenal Habyarimana's death in an air crash nine days ago.

In addition to the Belgian troops serving with the UN force, Belgium also has up to 800 paratroopers in the country who are organising the evacuation of foreign nationals. These troops are expected to leave tonight, when a deadline set for their withdrawal by the Rwandan government expires.

Mr Boutros Ghali has ordered Gen Romeo Dellaire, the Canadian commander of the 2,500-strong UN Assistance Mission to Rwanda (Unamir), to prepare plans for withdrawal. He has told the Security Council he does not think the operation is viable without a Belgian presence or replacement troops.

The Security Council was meeting last night to discuss what role, if any, the UN could now play in Rwanda. The peacekeepers arrived last October, at the request of Gen Habyarimana's government and the rebel Rwandan Patriotic Front (RPF), which had signed an accord in August to end three years of civil war.

But the collapse of the peace agreement, with rebels fighting the Rwandan army for control of the capital, Kigali, has rendered the UN mission null and void.

The rebels yesterday denied they had agreed to truce talks as they fought for a second day for control of the capital.

South African mediation effort fails

By Patti Waldmeir and Mark Suzman in Johannesburg

SOUTH AFRICAN ELECTIONS April 26-28

An attempt to resolve South Africa's political crisis through foreign mediation collapsed yesterday. Mediators packed their bags and left the country's political parties to their disputes.

"The fact that it has failed fills me with sadness," Lord Carrington, former British foreign secretary, told reporters as he, Mr Henry Kissinger, former US secretary of state, and five fellow mediators cut short their mission after the parties failed to provide them with agreed terms of reference.

The failure of mediation, less than two weeks before planned all-race elections, will seriously undermine hopes for a peaceful poll and for the stability of the new government. Constitutional negotiations may resume after the poll. In the meantime, the African National Congress will continue trying to do a separate deal with Zulu King Goodwill Zwelithini, to guarantee his constitutional status and persuade him to endorse the poll.

At the same time, the ANC will push for a further security crackdown in KwaZulu/Natal, power base of Zulu Chief Mangosuthu Buthelezi, Inkatha leader. Mr Cyril Ramaphosa, ANC secretary general, said more troops would be sent to the area to deal with a predicted surge in violence. Some 213 people have been killed in political unrest since a state of emergency was imposed there on March 31.

Mr Ramaphosa made an unprecedented visit to the Johannesburg Stock Exchange to warn brokers of the imminent collapse of mediation. Markets reacted negatively. The JSE's overall equity index weakened 68 to 4,955 and the commercial rand, the trading currency, dipped 0.62 cents against the dollar to close in London at R3.6008 in spite of central bank intervention.

The three parties to mediation – the ANC, Inkatha and the government – yesterday traded recriminations at separate press conferences. The dispute centred on whether Inkatha's demand for a delay in the election date could be a subject for mediation. The ANC and government insist the April 26-28 election dates are sacrosanct, while Inkatha wanted the election delayed to allow it to prepare for the poll in the event that mediation delivered a constitutional settlement.

Flag is lowered on 'grand apartheid'

By Michael Holman in Umtata

Major General Bantu Holomisa stood erect, the bugler sounded the Last Post, and the flag of Transkei was lowered for the last time. Nominally independent since 1976, self-governing since the mid-1960s, victim of corrupt leaders as well as apartheid itself, the territory was yesterday re-incorporated into South Africa.

It was an act which, declared Mr Walter Sisulu, the guest of honour and veteran African National Congress leader, marked "the burial of the apartheid system".

Not quite: Chief Mangosuthu Buthelezi continues to exploit the legacy of apartheid, fighting for what amounts to an autonomous KwaZulu state in the new South Africa. But that bitterly disputed issue was not allowed to spoil yesterday's celebrations.

There were, however, some tense moments. The Escort to the Flag had to use unconventional methods to discharge his solemn duty and save the day from embarrassment. A particularly stubborn knot threatened to prolong the attachment of the Transkei flag to the pole once it had reached the ground.

The white gloves of the officer did not help; strong white teeth did the trick. A firm grip, a sharp tug, and the crowd cheered as the homeland of Transkei was symbolically set free, and Bazooka Ben and his Band came on stage to set feet tapping.

"The occasion symbolises the closing of the last chapter of the apartheid system... It signifies the imminent dawn of a new era of a representative government accountable to all South Africans," the general told the crowd in Umtata's independence stadium.

Comrade Johnson Mlambo, of the radical Pan-Africanist Congress, put past injustice in the forefront of his concern. The average land holding in the Transkei was under 2.8ha, while across the "border" commercial farms spread out over 1,500ha. The inequity must be addressed, he said.

Popular as a PAC campaign strategy this may be, Gen Holomisa made clear that Xhosa-speaking Transkei is ANC country. Its favourite sons include Mr Nelson Mandela, ANC president.

Gen Holomisa is himself well regarded locally. Number 13 on the ANC's list of candidates for the national assembly to be elected in a fortnight, he is earmarked either for a senior cabinet post or a top position in the integrated defence forces.

The general, who took power in a bloodless coup at the end of 1987, has proved a canny politician. He soon aligned himself with the ANC and the PAC. Yesterday he was looking for votes. Transkei had suffered because Mr Mandela and others from the territory had been in the vanguard of the battle against apartheid, he told the crowd.

This historical grievance had to be redressed by the post-election government, said the general. "And it will," he vowed, "for I will be part of the team".

Lesotho soldiers kill deputy PM

Dissident soldiers shot dead Lesotho's deputy prime minister yesterday and seized four cabinet ministers in a mutiny apparently over a planned government probe into the army, according to diplomats, Reuter reports from Maseru.

"The deputy prime minister, Solemetsi Baholo, is dead. He was shot while resisting being taken by the soldiers," one said. In Pretoria, the South African Foreign Ministry said it was "appalled by the developments" and would not recognise any government installed by force.

South Africa said it was reactivating a task group of Zimbabwe, Botswana and South Africa that had mediated in the January crisis. Mr Pik Botha, South African foreign minister, said the Lesotho government had sought "immediate South African mediation with the Lesotho Defence Force".

But diplomats said there was no indication a coup was under way in the mountain kingdom of 1.8m people, which is surrounded by South Africa. The crisis was rather caused by a mutiny apparently in one section of the army, they said.

A Lesotho government spokesman said soldiers from the main Makonyane barracks were holding the four cabinet ministers at their headquarters.

At least five soldiers were killed and 11 people wounded in the January fighting, which broke out initially over pay and conditions.

World Bank projection

Brighter outlook for third world

By George Graham in Washington

The World Bank is projecting a much brighter economic outlook for developing countries over the next decade, despite prospects of slower growth in the industrialised nations.

"The international economic environment is likely to be more favourable for developing countries as a whole during the 1990s than it has been in the last 20 years," said Mr Michael Bruno, chief economist at the Washington-based development institution.

"Developing countries are projected to grow at a rate of 4.8 per cent per annum during the coming decade, considerably higher than the 3 per cent per annum recorded during the 1980s," Mr Bruno said.

Although growth in the industrialised countries has in the past had a large spillover effect on the rest of the world, the World Bank says in its annual assessment of global economic prospects, published yesterday, that the modest growth rates of 2.5 to 3 per cent likely in Europe, North America and Japan over the next decade need not hold back the developing nations.

Mr Bruno said lower real interest rates, higher flows of private capital into the developing countries, fast growing world trade and a stabilisation of real commodity prices should create a more favourable environment for the developing countries.

He warned, however, that generally strong growth could disguise severe disparities between regions and countries: while east Asia would probably continue to fare well, even modest improvements in growth rates were still likely to leave more people in poverty in sub-Saharan Africa.

East Asia's growth over the next decade is likely to be less spectacular than in the past, because the region will encounter infrastructural bottlenecks and environmental constraints. Nevertheless, growth rates in the region are likely to average more than 7 per cent a year.

South Asia already improved its economic performance in the 1980s, and steady growth rates of around 5.3 per cent a year are projected for the next 10 years, while growth in Latin America and the Caribbean could accelerate to 3.4 per cent a year.

Sub-Saharan Africa has an opportunity for modest acceleration of growth rates to 3.9 per cent a year, especially if the continent's civil wars abate. Nevertheless, the World Bank concludes, "limited stock of capital equipment, infrastructure and human capital preclude any sharp improvement in living standards".

Mr Bruno said that much of the downside risk for the developing countries came from the possibility that the industrialised countries would falter in their efforts to tackle their budget deficits and to undertake supply side reforms, causing higher interest rates, lower growth and protectionist pressures.

Global Economic Prospects and the Developing Countries, 1994. World Bank, 1818 H Street NW, Washington DC 20433

GROWTH IN THE DEVELOPING WORLD
Real gross domestic product, annual % change

Developing region	74-90 trend	1991	1992	1993	1994-2003 Forecast	1994-2003 Low case
All developing countries	3.4	0.2	0.3	2.1	4.8	3.6
Sub-Saharan Africa	2.1	1.5	1.2	2.5	3.9	2.4
Middle East and North Africa	0.9	3.1	4.0	1.9	3.8	3.2
Europe and Central Asia (ECA)	3.1	-9.2	-12.7	-7.4	2.7	1.5
South Asia	5.0	2.0	4.6	3.8	5.3	4.2
East Asia	7.3	6.9	8.7	9.2	7.6	7.1
Latin America and Caribbean	2.5	3.4	2.8	3.5	3.4	0.8
Developing countries excl. ECA	3.5	3.9	4.9	4.9	5.2	4.0

Source: World Bank

NEWS: INTERNATIONAL

Seoul in US talks on North's N-facilities

By John Burton in Seoul

The US and South Korea will begin talks tomorrow in Seoul on efforts to renew negotiations with North Korea, concerning inspections of its nuclear facilities.

The discussions with South Korea over the weekend will involve Mr William Perry, US defence secretary, and Mr Robert Gallucci, a senior State Department official recently appointed to head a US policy group on Korea.

A key issue will be whether to drop a demand that North Korea must exchange special envoys with South Korea before the US agrees to hold another round of high-level talks with Pyongyang.

North Korea maintains the dispute can be solved through negotiations with the US on possible diplomatic recognition, in exchange for opening its nuclear sites to inspections by the International Atomic Energy Agency.

But its refusal to accept a special envoy from the South, who would discuss inter-Korean nuclear inspections, has blocked talks with the US.

Seoul believes inter-Korean talks must be held in parallel to US-North Korean negotiations, but there have been recent suggestions in Seoul that the demand may be abandoned temporarily to improve the chances for a diplomatic settlement.

The IAEA has warned it may declare North Korea in violation of nuclear safeguards in early May, if Pyongyang continues to refuse full nuclear inspections by the UN agency.

The IAEA is expected to seek new talks with North Korea next week on preparations for inspections, which were halted in mid-March.

The United Nations Security Council recently approved a statement urging North Korea to resume acceptance of inspections.

A second issue will be the schedule for the staging of the Team Spirit military exercise by the US in South Korea this year. Both countries regard Team Spirit as a diplomatic means to press North Korea into allowing inspections, but early resumption of the exercise might derail chances for renewed talks with Pyongyang.

North Korea has repeatedly condemned Team Spirit as a rehearsal for an attack on the country. The exercise is expected for the second half of the year if no progress is achieved on the nuclear dispute.

Mr Perry will also discuss the strengthening of US forces in South Korea against a possible surprise invasion by the North. Defence preparations would include deployment of US Patriot missiles to destroy North Korean Scud missiles and increased stockpiling of other military equipment.

Australian businessman remanded

Mr John Elliott, the Australian businessman, and six former associates who are facing charges in connection with an allegedly fraudulent A$66m (£32.5m) foreign exchange deal, were yesterday remanded on bail to appear in Melbourne Magistrates Court on August 1, when committal proceedings are expected to begin, Nikki Tait reports from Sydney.

The National Crime Authority's case against the seven men was essentially straightforward, lawyers told a Melbourne court yesterday, but would involve 24 volumes of documentary evidence and 90 witnesses. The committal hearing, they warned, could take three months.

Israeli boys at an Independence Day army weapons show play with a Galil assault rifle and a grenade launcher yesterday. The show was held at the Jewish settlement of Kiryat Arba near Hebron in the West Bank to mark 46 years of the state of Israel AP

Lebanese detain Iraqis over killing

By James Whittington in Amman

Two Iraqi diplomats are being held by the Lebanese authorities on suspicion of assassinating a prominent opponent of President Saddam Hussein in Beirut on Tuesday. The dissident, Mr Taleb as-Suheil, is said to have played a prominent role in a planned coup attempt in Baghdad last July.

The diplomats were named as Mr Khaled Khalaf, commercial attaché, and Mr Mohammed Kadhem, cultural attaché. Beirut has asked Baghdad to lift their diplomatic immunity so that they may face trial. A third man, Mr Hadi Hassan, is believed to have taken refugee inside the Iraqi embassy, which has been surrounded by police.

The Lebanese government has said that all three are held to be Iraqi intelligence agents. But Baghdad has denied any involvement and called for their immediate release.

The killing comes amid growing signs that the security situation in Beirut is deteriorating. A Jordanian diplomat was gunned down earlier this year and two Palestinians belonging to Abu Nidal's notorious terrorist organisation were arrested and charged with the killing. In February a bomb went off in a church near Beirut, killing 11 worshippers. The Lebanese Forces, a right-wing Christian group which was formerly allied to Israel during the country's civil war, was subsequently banned and four of its supporters charged with the bombing.

The recent spate of killings is likely to mar the government's reconstruction efforts and hinder plans to raise finance on the Euromarkets. Security in and around the city has been stepped up and both Lebanese and Syrian soldiers are again patrolling the streets.

Mr Faris Bouez, Lebanon's foreign minister, said yesterday that it was too early to say whether Beirut would cut diplomatic ties with Iraq over the killing but that "Lebanon cannot be taken advantage of, not under the diplomatic cover or diplomatic immunity, to settle scores and to practise crime".

HK press shocked at Beijing jailing

Simon Holberton on reaction to a 12-year sentence for printing 'secrets'

Editors and journalists in Hong Kong have always known that the colony's reversion to Chinese sovereignty in 1997 posed special problems for the maintenance of a free press.

But the 12-year jail term meted out two weeks ago to Mr Xi Yang, a mainland-born reporter for Ming Pao Daily News, a leading Hong Kong quality daily, has cast a long shadow over the media in the colony, shocking even those who believe the Chinese takeover in 1997 will be relatively benign.

Over the past few years proprietors have faced the implicit threat from mainland-funded companies that advertising will be withdrawn if their editors overstep the mark. For their part, journalists are frequently called into the New China news agency, Beijing's unofficial embassy in Hong Kong, to account for their stories.

Self-censorship is a growing problem, with newspapers finding it easier to ignore issues – such as the growing role of the People's Liberation Army in business in Hong Kong, or the business connections of senior Beijing officials in the colony – than to run the risk of offending Hong Kong's future ruler.

Now journalists and academic lawyers openly express doubts that the guarantee of press freedom – promised in the Basic Law, China's mini-constitution for Hong Kong – will be robust enough to withstand the Chinese Communist party's distrust of critical media. To some there is an unreconcilable contradiction at the heart of "one country, two systems", China's formula for ruling Hong Kong.

Yesterday Mr Nihal Jayawickrama, of Hong Kong University's law department, told a media conference in the colony: "It seems to me that Beijing would find itself not only in a wholly untenable position, but also pursuing an unattainable goal if it were to attempt to permit a small number of its citizens to conspicuously enjoy a high degree of freedom so vehemently denied to others" in China.

Others are less gloomy, though no less concerned. There is pressure building on the Hong Kong government from local legislators to enact a freedom of information law, and to do more to promote human rights in the colony. Earlier this week a British House of Commons select committee threw its weight behind the establishment of a human rights commission, underpinned by an equal opportunities law, recommending that one be set up before British administration ends.

Mr Xi was arrested in Beijing on September 27 last year for allegedly stealing state secrets. Under pressure from public opinion in Hong Kong, Beijing has released some details of the charges against him and the judgment of Beijing's Intermediate Court.

It appears that Mr Xi was responsible for a Ming Pao report last summer which said the government planned to sell gold on the international bullion market to help fund intervention to support the yuan. The report also speculated about interest rates.

In the six months since his detention the Chinese authorities have allowed Mr Xi only one visitor – his father, once, for one hour. Beijing has rebuffed all Ming Pao's attempts to provide him with legal representation or find out the precise details of his alleged offences.

Ming Pao feels especially affronted by his sentence. Its owners were given to understand that if the newspaper kept a low profile and offered an apology for Mr Xi's behaviour, which they did, then the Beijing court would exercise leniency. "Six months of self-restraint and he got 12 years," said Ms Daisy Li, chair of the Hong Kong Journalists Association and a senior Ming Pao staffer.

Another aspect of Mr Xi's case which has disturbed many is the prison term given to his apparent informant at the People's Bank, China's central bank. Tian Ye (whose sex is unknown) was sentenced to 15 years in prison.

The effect of the Xi case is already being felt among Hong Kong's journalists. It led to the resignation of a number of Chinese journalists from newspapers in the colony. One, who covered China's austerity programme last summer, resigned out of fear for his own safety earlier this week.

"His sentencing has had an immediate effect," says Ms Li. "Those who cover China have become more cautious. They are worried for their personal safety and for the safety of their contacts in China."

She also noted that China has not observed its own judicial procedures in the Xi case. Chinese criminal law states that even where a case has been tried in secret the judge's verdict has to be publicised. In Mr Xi's case this has not happened, Ms Li said.

Mr Xi has been allowed to appeal against his sentence but Ms Li said she was pessimistic about his chances of having the verdict overturned.

At yesterday's media conference Mr Tsang Tak-sing, editor of the Beijing-controlled Ta Kung Pao, lashed out at critics of China's legal system. Mr Tsang, who is also a delegate to China's National People's Congress, said Hong Kong standards could not be applied across the border. After 1997, he said, he was confident the two legal systems could co-exist as promised in the Basic Law; those who doubted that might as well make their preparations to leave Hong Kong now.

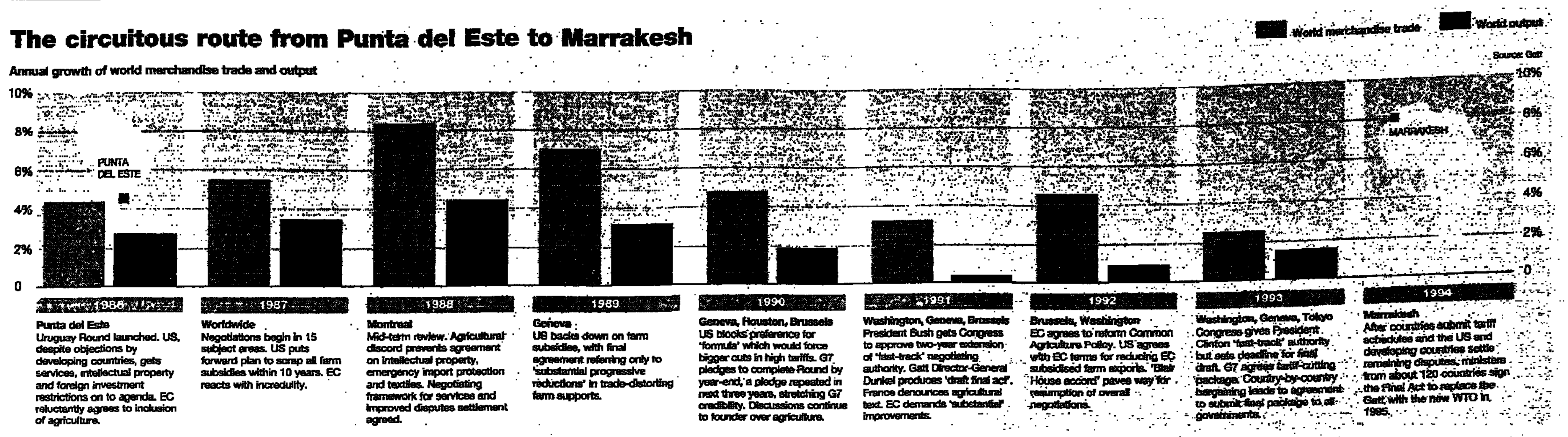
"The verdict handed down in Beijing will in no way affect things in Hong Kong," he said. "The only impact will be on the coverage of news from the mainland; we should have been aware from the start that that was another ballgame."

If Mr Tsang is right about the constraint on Hong Kong's media to report about affairs on the mainland then the colony will lose one of its unique qualities: its position as a window on China.

NEWS: WORLD TRADE

The circuitous route from Punta del Este to Marrakesh

Annual growth of world merchandise trade and output



US farm interests fire warning shot

By Nancy Dunne in Washington

GATT

Lobbyists for US agriculture interests have warned President Bill Clinton that the administration must drop proposals to lower farm spending or they will withdraw their support for congressional passage of the Uruguay Round implementing legislation. Twenty-one groups, which expressed their displeasure in a letter to the president, have been among the strongest supporters of the Round. They include the American Farm Bureau, the American Meat Institute, the National Association of Wheat Growers, and the National Pork Producers Council.

Their threatened opposition is the latest in a series of difficulties confronting the administration in its struggle to have the legislation approved this year. The biggest obstacle lies in finding an estimated $13bn over the next five years to compensate for the loss of tariff revenue in the US budget.

It is proposals to raise the billions through cuts in agriculture programmes which have the farm groups up in arms. They had been assured that the final Gatt deal would not require further reductions beyond those have already made in domestic income and price-support programmes.

They are urging the president to shift current funding from programmes either reduced or not allowed by the Gatt to those which are allowed, such as market promotion, export credit and food aid schemes. "Unless these concerns are addressed, it is hard to envision how US agriculture stands to gain as a result of the new Gatt agreement," they said.

Large exporters, such as IBM and Caterpillar, are also worried about the implementing legislation. They say proposals by the labour/industry coalition Licit will undermine the spirit of dumping law improvements negotiated in Geneva.

US companies are already being hit with the largest number of dumping cases worldwide, according to Mr Thomas Gann of Sun Microsystems. He and other exporters say they do not want the dumping laws eviscerated.

"But what is going to happen if other countries further copy our dumping rules?" he said. "This scares computer companies, because we have to go internationally to compete."

Licit is just as worried that the pact will dilute US trade laws. "In virtually every area, current US law provides domestic industry with greater remedies against injurious unfair trade than will exist under the new Uruguay Round regime," it said recently.

Labour groups see the failure of Gatt members to agree to a standing committee on labour rules as confirmation that the global trade body agrees rules purely for the benefit of the giant multinationals.

At a public hearing on international child labour this week, 112 Nobel laureates announced plans to publicise the issue in the US, the European Union and international organisations, including Gatt, to find effective approaches to curb child labour and other forms of child exploitation.

Gatt director-general Peter Sutherland welcomes Mr Tsutomu Hata, Japan's foreign minister, to the conference yesterday AP

EU impatience over US-Japan trade row

Sir Leon Brittan talks to Guy de Jonquières

Sir Leon Brittan, the European trade commissioner, warned yesterday that he would not wait much longer for the US to show whether it was ready to pursue his proposal to involve the EU in its talks with Tokyo on reducing the Japanese trade surplus.

He said in an interview that he would decide in the next few weeks whether the trilateral proposal had any future. That would depend partly on whether the Clinton administration met EU requests to clarify the fundamental objectives of its trade policy towards Japan.

He also said that Mr Mickey Kantor, US trade representative, had assured him this week for the first time that Washington accepted that the Uruguay Round world trade deal would substantially reduce US scope to impose unilateral sanctions on other countries under its Super-301 trade provisions.

Sir Leon called the assurance "of very great significance". However, he said that US insistence that it could still legally use Super-301 in some circumstances was "objectionable and unfortunate".

He was speaking ahead of meetings at this week's ministerial conference of the General Agreement on Tariffs and Trade between Mr Tsutomu Hata, Japan's foreign minister, Mr Kantor and US Vice-President Al Gore. Mr Kantor had not told him what issues he planned to raise with Mr Hata.

Sir Leon, who first suggested a trilateral initiative to tackle Japan's trade surplus earlier this year, said he wanted to resolve the matter quickly because his personal credibility was at stake. "I do not see that there is any useful purpose served by keeping it up in the air," he said.

He expressed impatience at the US failure to explain clearly what it wanted from Japan. Mr Kantor had promised – but failed – to give Brussels US papers prepared for the abortive meeting in February between President Bill Clinton and Mr Morihiro Hosokawa, then Japan's prime minister. The EU planned another effort to discover US intentions soon.

If the trilateral proposal proved unworkable, the EU would feel free to criticise the US publicly on issues such as attempts to set targets for a cut in Japan's bilateral surplus in specific sectors. Sir Leon said such targets were "very dangerous" and threatened EU interests.

Sir Leon also cast doubt on the prospects for an EU agreeing with the US to free trade in telecommunications equipment. The two sides plan further talks after failing to conclude a deal as part of a package of bilateral measures to liberalise public procurement agreed on Wednesday.

He said he was "not really focusing" on telecommunications markets, which were mainly of interest to the US. "I regarded the whole telecommunications issue as an obstacle rather than an opportunity [in the public procurement talks]," he said.

However, he said the procurement deal – which he had not previously thought possible – showed that the two sides could settle bilateral disputes.

Cairns Group to stay in business

By Frances Williams in Marrakesh

The Cairns Group of farm product exporters is to stay in being, to continue the push for agricultural trade reform, Mr Bob McMullan, Australia's trade minister, announced in Marrakesh yesterday

The 14-strong group, chaired by Australia, was set up just before the Uruguay Round of global trade talks began in 1986 in order to lobby for reductions in trade-distorting farm subsidies.

Its other members are New Zealand, Canada, Brazil, Chile, Argentina, Thailand, Uruguay, Colombia, Indonesia, Malaysia, Fiji, Hungary and the Philippines.

The Uruguay Round deal involves cuts of a third in agricultural export subsidies and a fifth in domestic farm supports over six years. Further negotiations are planned before that period is up to reduce subsidies further.

Separately, US and Canadian ministers failed to resolve a dispute over Canadian wheat exports to the US. Negotiators said the talks would resume late last night or today in an attempt to reach agreement before an April 22 deadline for US sanctions.

Rivals for Geneva as WTO site

MARRAKESH DIARY

By Guy de Jonquières

Among the unresolved issues at this week's meeting is the delicate question of the location of the headquarters of the new World Trade Organisation, the larger and grander body which will succeed the General Agreement on Tariffs and Trade next year.

It had been widely thought until recently that the WTO would be sited in Geneva, home of the Gatt secretariat.

Indeed, Gatt has already begun preparing for its metamorphosis by opening negotiations to take over the remainder of its lakeside headquarters building after it is vacated by the UN High Commissioner for Refugees later this year.

However, there could yet be a surprise. The question of the site was raised this week at a meeting of ministers from the "Quad" powers – the US, the European Union, Japan and Canada – and rumours are circulating that Stockholm is ready to offer itself as an alternative candidate.

It all looks like an elaborate game of bluff. Says a senior official who attended the Quad talks: "We'd like to go to Geneva, but it's a question of bargaining the terms with the Swiss. We are trying to tell them that if they're going to be unreasonable, then we'll go somewhere else."

Yesterday, Mr Günter Rexrodt, German economics minister, stirred the pot further by announcing that, as soon as he got home, he would ask his cabinet colleagues to propose Bonn as the headquarters.

No doubt Switzerland will get the message. After all, no self-respecting country would want to be accused of gouging rent out of an organisation, a third of whose members are classified as the world's poorest countries.

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No such sense of frugality prevails in Marrakesh, where representatives of several developing countries are among the guests at the magnificent Hotel Mammounia. A favourite holiday haunt of Winston Churchill, who painted in its gardens, the Mammounia's main rooms are an eye-catching exercise in 1920s Islamic art deco.

The accommodation is no less exotic. Sir Leon Brittan's suite, for instance, is an Arabian Nights fantasy of mirrors and mosaic. The overall effect is of an oriental courtesan's boudoir. It is rather spoiled, however, by a chiming doorbell which would seem more at home in suburban Esher. "I think it's ghastly," said Brittan, grimacing as the chimes announced the arrival of another delegation at his door.

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Speaking of boudoirs, first prize for journalistic enterprise – and the week's most intriguing story – goes to Reuters. One of its intrepid correspondents bearded Mr Tsutomu Hata, Japan's foreign minister, at his hotel yesterday and reported that he had just breakfasted with his former masseuse, now employed by Morocco's royal household.

What can this mean? And what will it do for Mr Hata's prospects of becoming his country's next prime minister when the news gets back to Japan? I think we should be told. . . .

Asea Brown Boveri wins $1bn Malaysia power deal

By Andrew Baxter

Asea Brown Boveri, Europe's largest electrical engineering group, has won a $1bn contract to build a turnkey 1300MW combined-cycle power plant at Lumut in the Malaysian province of Perak.

The contract is believed to be the largest awarded to power suppliers worldwide in recent months, and underlines the importance of the fast-growing Malaysian market for power equipment, due to the country's strong economic performance.

It comes six weeks after Malaysia imposed a ban on UK companies bidding for public contracts in protest at reports in the UK media of corruption. The ban was a blow to UK power equipment suppliers and contractors such as Rolls-Royce and John Brown, although contractors have been hoping they could still win orders from private customers.

The Lumut order was placed by Sikap Energy Ventures, a Malaysian independent power producer. There were no rival UK bidders to ABB.

The gas-fired plant will be Malaysia's largest combined-cycle power station, and ABB said it would supply about 11 per cent of the country's electricity needs.

Construction will begin immediately and the first stage of the project is due to be operating by July 1996, with the rest ready by July 1997.

The station will be equipped with six ABB gas turbines, two steam turbines and eight associated electrical generators. It will incorporate ABB's low-NOx burners to produce high fuel efficiency with low emissions.

Earlier this week, Westinghouse Electric of the US announced a contract worth more than $100m from Korea Electric Power for power generation equipment at a 300MW power plant to be built at Ilsan, South Korea.

Digital VCR standards agreed

Fifty American, European and Asian companies agreed yesterday on technical standards for home digital video cassette recorders, which provide better picture quality and cleaner copies of tapes, AP reports from Tokyo.

The agreement means average consumers could be able to buy a digital VCR as soon as early next year, industry officials said.

A conference in Tokyo that included the leading Japanese makers announced standards for VCRs used with conventional televisions and for those used with Japan's high-definition TV system, called Hi-Vision.

هكذا من الاصل

The head of the smallest political party in the Commons was yesterday elected chairman of the new Northern Ireland select committee. Sir James Kilfedder, leader and only MP of the Ulster Popular Unionist party, is a committed devolutionist, and is anxious for the committee to be seen as a step towards a new Ulster assembly. The committee has 13 members - six of them from the ruling Conservative party. Sir James has the casting vote. It was set up in response to pressure from unionist MPs.

Jungheinrich buys Steinbock Boss

By Andrew Baxter

Jungheinrich, the lift truck producer based in Hamburg, last night emerged as the leading contender to buy the UK operations of its rival Lancer Boss after clinching a deal to buy Steinbock Boss, the British company's German unit.

The purchase, a day earlier than expected, comes less than a week after Steinbock Boss' German banking group, led by Bayerische Hypo-Bank, withdrew facilities from the company, prompting directors to call in a receiver.

This, in turn, forced Lancer Boss to call in administrative receivers to its UK operations based in Bedfordhsire, north of London.

Last night Sir Neville Bowman-Shaw, chairman of Lancer Boss before the receivership, said Jungheinrich' purchase of Steinbock Boss put it in "pole position" to buy Lancer Boss' UK operations.

"I am glad that the anxiety has been taken away for the workers at Steinbock," he said. "I hope there is a speedy conclusion on this side now."

The deal means that a bid from a UK company, that was conditional on buying both the UK and German parts of the collapsed group, has now lapsed.

Mr Allan Griffiths, partner at Grant Thornton and one of the administrative receivers for the UK operations, said that "given the new situation, and the close synergy between the different ranges produced by Lancer Boss and Steinbock Boss, we will be looking forward to discussions with the directors of Jungheinrich on future co-operation between the two companies."

Throughout this week Mr Griffiths has been trying to win the co-operation of the German receiver, Mr Werner Folger, because he believed that the group was worth more if the UK and German units were sold together.

But there has been some frustration in the UK at the speed of events in Germany. The German banks have been keen to see Steinbock Boss sold to Jungheinrich as quickly as possible.

There has been considerable interest in Lancer Boss from potential bidders, but very few actual bids because would-be buyers have been given so little time.

Speaking before the purchase of Steinbock Boss was known, Mr Griffiths said the case differed from other British receiverships where a short list could be drawn up of buyers, who would have time to conduct their own "due diligence" examinations.

Terms for the purchase of Steinbock Boss were not disclosed. But Jungheinrich said the "rapid and unbureaucratic" sale of the company was necessary to overcome uncertainty among dealers and customers ahead of next week's important Hannover Fair.

It said a quick deal was possible because the German banking group had made a "concrete financial contribution" to secure Steinbock' plant at Moosburg and the workers' jobs. It employs about 800 people.

Mr Klaus Schenk, managing director of Manchester-based Jungheinrich (GB), said the takeover of Steinbock Boss would put it on a healthy financial basis. There was some overlap on product ranges, but in most cases they complemented each other well.

He added that talks with Grant Thornton, on a possible purchase of the UK operations, would continue.

Tories face warning on tax

By Philip Stephens, Political Editor

The Treasury has fired the first shots in this year's public spending battle with a warning there will be no room for tax cuts before the general election unless ministers rein back a threatened overshoot in budgets.

The cabinet's EDX spending committee was reconvened this week by Mr Kenneth Clarke, the chancellor of the exchequer, to be told that recent spending trends are already jeopardising the targets.

Mr Michael Portillo, the chief secretary, meanwhile has told cabinet colleagues to provide detailed analyses of the impact on their programmes of reductions in their cash budgets of 2.5 per cent and 5 per cent.

Amid alarm in Whitehall over an apparent failure to curb the growth in social security spending, senior ministers believe existing targets will only be met through a further clampdown on public sector pay.

But some spending departments are treating the Treasury's warning as a predictable pre-emptive strike ahead of figures next week which are expected to show that public borrowing substantially undershot £50bn predicted for last year. Mr Clarke is determined that lower-than-expected borrowing should not provide an excuse for a relaxation of spending controls. The Treasury is also concerned that Mr John Major's precarious political position has led the prime minister to come down on the side of the spending departments in recent battles over new commitments.

But Mr Portillo's fundamental review of underlying spending trends is in turn coming under fire for failing to deliver the large medium-term savings he promised last year.

Mr Clarke reconvened the EDX cabinet committee several weeks earlier than expected in an effort to push through quickly endorsement by the full cabinet of another tough spending round.

Exports to EU cut trade gap

By Graham Bowley

Britain's trade gap narrowed sharply in January, due to a fall in imports and a surge in exports to the European Union, official figures issued yesterday show.

The Central Statistical Office said the UK's visible deficit narrowed to a seasonally adjusted £916m in January, from £1.57bn in December. Commentators were expecting a deficit of £1.31bn.

Britain had its best trade performance with the EU since August 1993, reporting a deficit of £128m compared with £903m in December.

Exports increased to £10.42bn in January, from £9.96bn in December. Imports fell to £11.33bn in January, compared with £11.53bn in December. However, in the three months to January, a more reliable indicator of the trend, total exports fell by 3 per cent compared with the previous three months and the balance widened.

Mr Simon Briscoe, UK economist at SG Warburg Securities, said: "Although this sharp correction in January provides some good news and considerable relief after the bad news in previous months, the trend is still worrying."

The Central Statistical Office's figures suggest that one reason for the UK's poor long-term export performance is that manufacturers are continuing to protect their export margins by raising their prices.

Britain in brief

Tory party truce plan on ERM

The government yesterday set out the terms for a truce between the Conservative party's pro-Europeans and its Euro-sceptics on Britain's attitude to the European exchange rate mechanism.

In a series of carefully crafted phases approved by the prime minister, foreign secretary and chancellor of the exchequer, it declared that Britain would not consider re-entry to the ERM in the foreseeable future.

But the formulation, published in a policy document setting out the Conservatives approach to European economic policy in June's elections to the European parliament, left open the door for a change of heart after the next general election.

Brussels warns on bird habitat

Work on the Cardiff Bay barrage on the coast of South Wales must not start until assurances are given that more will be done to compensate for the loss of bird habitat, the European commission has told the UK government.

The 1.1km barrage, approved by parliament last November, will replace tidal mudflats with a 500-acre freshwater lake intended to stimulate commercial development around the Welsh capital's waterfront.

The bird species most affected will be dunlin and redshank, which are in declining numbers in Britain.

BA intensifies air fare war

British Airways intensified the air fares war it sparked three weeks ago by launching a second package of bargain fares covering virtually its entire UK domestic and European networks.

The fare cuts of up to a half will involve more than 200 routes and will be available from today until May 6 for travel up to the end of June.

Fares on BA's domestic trunk routes are being cut by a quarter with return flights between London and Aberdeen, Belfast, Edinburgh, Galsgow, Inverness, Jersey, Newquay , Newcastle and Plymouth costing £70. Return fares between London and Manchester and on a number of internal Scottish routes have been cut to £50.

Old coal mines polluting rivers

At least 200km of rivers in England and Wales are polluted by leaks from abandoned coal mines, the National Rivers Authority, the water quality watchdog, said.

Uncertainty over liability for this pollution needs to be settled before the privatisation of British Coal takes place, according to Lord Crickhowell, the National Rivers Authority chairman.

A decade ago British Coal had 170 mines, but it now operates only 17. In the past year it has stopped mining at over 30 pits. However it has continued pumping out water at some pits to prevent them filling up and leaking acidic and coloured liquid into rivers and water tables.

Regulatory reform opposed

Sir Bryan Carsberg, director-general of fair trading, has come out strongly against overhauling the system of utility regulation, warning of the "private agendas" of those calling for change.

Sir Bryan advised the government to be "cautious" about change: "Although not perfect, the achievements of the current system have been substantial." In addition to the prospect of private agendas coming to the fore, Sir Bryan warned of the danger that reform would politicise the regulatory process.

"The great strength of the present system is the removal of politicians from the regime, [whose involvement] had pretty disastrous consequences in past," he said, referring to the detailed involvement of ministers in the management of the utilities when they were nationalised.

DTI to sell off laboratories

The Department of Trade and Industry announced it would be privatising two of its core research laboratories and placing a third under private management next year.

Mr Michael Heseltine, trade and industry secretary, said in a written answer to parliament that a review carried out with KPMG Peat Marwick had concluded that the laboratories would have greater flexibility if they were operating within the private sector.

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EU court gives job code broad remit

By Robert Rice, Legal Correspondent

The contracting-out of services performed by just one employee is covered by European Union employment protection rules, the European Court of Justice ruled yesterday.

The Luxembourg Court's ruling that the European Acquired Rights Directive can apply to the contracting-out of cleaning services performed by one employee, has significant implications for the UK government's policy on the contracting-out of public-sector services.

The directive, which was translated into UK law by the Transfer of Undertakings (Protection of Employment) Regulations 1981, known by the acronym Tupe, protects the jobs and conditions of employees when the undertaking they work for changes hands.

Confusion over whether Tupe applies to contracting-out has cast doubt on the government's compulsory competitive tendering and market-testing programmes.

Employment lawyers said yesterday the Court's confirmation that the directive was capable of very broad application would be a severe disappointment to contractors and the UK government which had intervened in the case, which involved a German bank, to argue that it did not apply.

Ms Melanie Tether, a partner of City solicitors Norton Rose, said the Court appeared to have pushed the frontiers of the directive further forward by ruling that all that was needed for it to apply was that the contractor was carrying out the same type of work as that performed before the transfer.

The Court rejected the argument advanced by the UK and German governments that for the directive to apply there had to be a transfer of assets to the contractor.

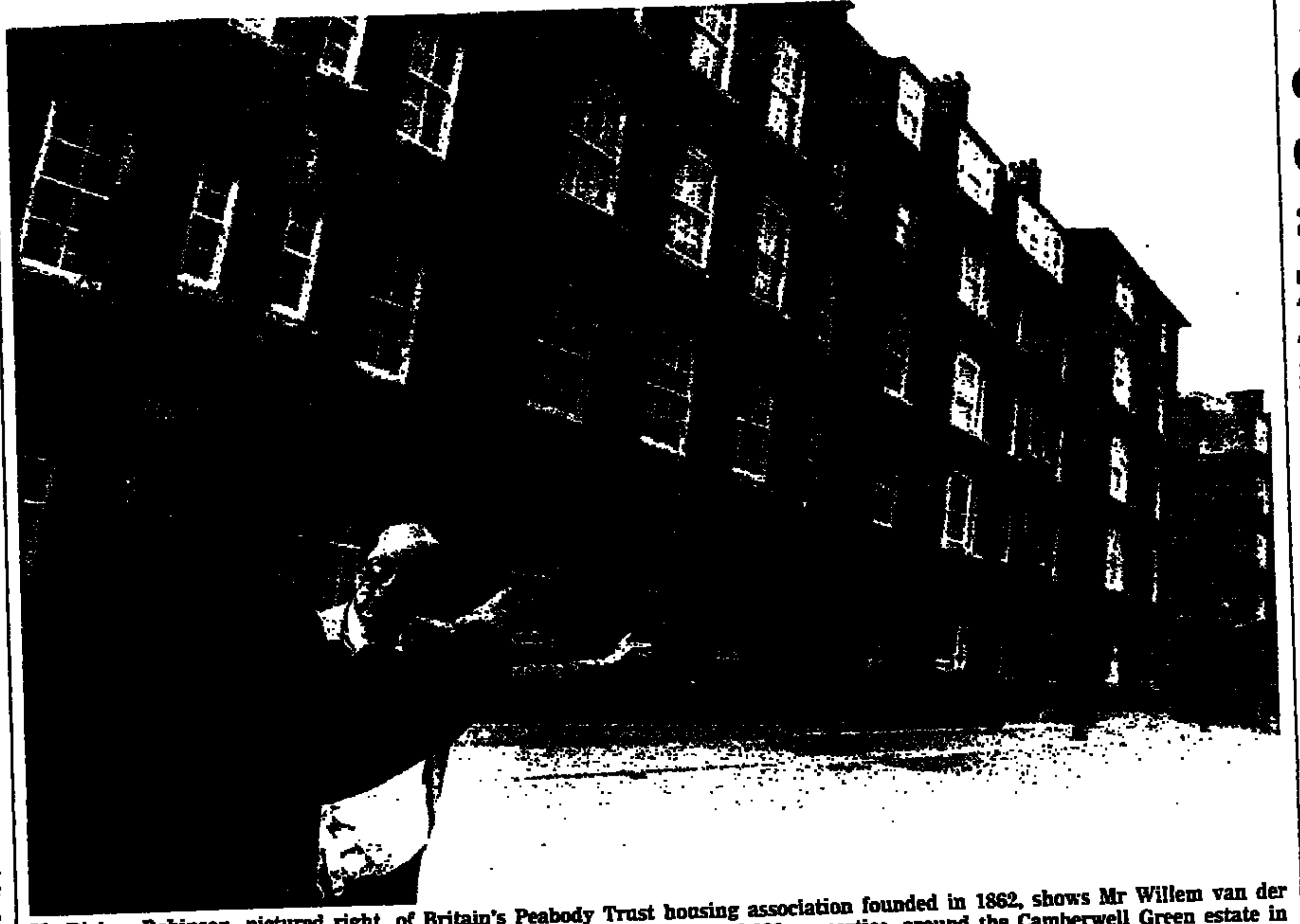
The Luxembourg Court's approach was in marked contrast to the position taken recently by the English Employment Appeal Tribunal, she said.

Last August the EAT ruled that Tupe did not apply when the contract for cleaning Orsett Hospital in Essex, east of London, came to an end and a new contract was awarded to a different contractor.

The tribunal said something more was required to constitute a transfer than simply that the same activity was being carried out at the same place.

The appeal in the Orsett Hospital case is due to be heard by the Court of Appeal at the end of this month.

● European Union social policy should concentrate on disseminating best practice across the EU "rather than choking off job creation and hindering EU competitiveness", according to the UK government's formal response to the European Commission's green paper on social policy. The paper, published last year, should not form the basis of a new round of social legislation, says the UK response.



Mr Dickon Robinson, pictured right, of Britain's Peabody Trust housing association founded in 1862, shows Mr Willem van der Werff, of Patrimonium, the Dutch housing association which manages 26,000 properties, around the Camberwell Green estate in south London. The group visited the Gateway Project for young homeless and discussed possible joint ventures in London.

Tougher code on discount air tickets

By Paul Betts, Aerospace Correspondent

The Civil Aviation Authority yesterday announced tougher rules for travel agents selling discounted scheduled airline tickets and cheap air holidays to provide greater protection for consumers should the agent or tour operator fail.

Under the new guidelines, the CAA will prosecute cheap ticket consolidators and agents who sell discounted tickets without an Air Travel Organisers' Licence (Atol).

Discounted scheduled air tickets are usually sold by consolidators who sell them directly to consumers or through sub-agents.

The new CAA guidelines stress that unless airlines have authorised agents to take money on their behalf and provide customers with a flight or a refund if an agent fails before the ticket is issued, the sale must be covered by an Atol. "From our discussions with airlines we believe very few airlines have a comprehensive agency agreement with their consolidators," said Mrs Helen Simpson, the CAA's head of licensing and finance.

"From now on we will assume that all consolidators must hold an Atol to cover their sales to the public unless they can prove otherwise," she added. The Atol scheme, introduced in 1973, protects travellers from losing their money or being stranded abroad if their tour operator fails. Tour operators holding an Atol are examined every year by the CAA to ensure they are properly managed and financially sound.

Before receiving a licence, the tour operator also has to lodge a bond or financial guarantee. The CAA uses this bond money to refund consumers or pay for people to continue their holiday and travel home as planned should the operator go bankrupt.

The CAA said that 128,000 consumers received refunds during the year ended March 1993 following the failure of their tour operators.

Published minutes reveal tussle over monetary policy

UK strips back another layer of secrecy surrounding economic management, report Peter Norman and Philip Coggan

The decision of Mr Kenneth Clarke, chancellor of the exchequer, to publish the minutes of his monthly meetings with Mr Eddie George, governor of the Bank of England, removes another layer of secrecy from British monetary policy.

The move marks a further step towards greater openness and brings the UK broadly into line with US practice. It also revealed differences of opinion in recent months over interest rate cuts and the health of economic recovery.

For institutions which have prided themselves on secrecy throughout their history, the record of the meetings between the Treasury and the Bank of England are remarkable for their candour.

The minutes of the February meeting, in particular, clearly show the extent of the disagreement between the chancellor of the exchequer and Mr George. The governor opened discussions in February by arguing that economic evidence published since the January meeting had "weakened rather than strengthened the case for an immediate rate cut". He said the most likely projection was that economic growth would pick up "to perhaps 3 per cent" and it would be safer to wait for more evidence of the effects of the tax increases before acting.

"To cut rates now in advance of this evidence would run a risk of higher inflation and some loss of credibility," and the governor "strongly advised against" a cut. The chancellor's said that "advice was erring excessively on the side of caution". He said he had been "more inclined to cut interest rates last month, and in his view the case for a cut had become stronger since then".

"With a significant fiscal tightening in prospect and considerable spare capacity in the economy," Mr Clarke said he "saw little risk of an increase in inflation". The minutes record that "he was inclined to take the opportunity to cut rates from their present relatively high levels".

A summary of their discussion made the point that "there was a danger that an interest rate cut now would be interpreted as being influenced by political considerations". That is exactly what did happen, as the eventual cut coincided with newspaper headlines about the death of Tory MP Mr Stephen Milligan.

Nevertheless, the governor did agree, on the second day of the meeting, to a quarter of a percentage point, rather than a half point cut, although the minutes record his parting shot that "his concern stemmed from experience that it would be difficult to restrain inflation if it started to rise".

However, Mr Clarke did get his way in the end which shows that, in spite of the Bank's pretensions towards independence, the Treasury is still firmly in charge of monetary policy.

What the minutes of the last three meetings also show is that the governor has been consistently much more optimistic about the UK's growth prospects than has the chancellor. In the February meeting, for example, while the governor talked of possible 3 per cent GDP growth, ahead of the official forecast, the chancellor spoke of "a significant risk that the fiscal measures would slow down the recovery".

Mr Clarke's utterances in the monthly meetings seem less upbeat than his more public statements on the economy. In March, he said that "anecdotal evidence did not suggest that activity was growing strongly." In February, referring to the fall in unemployment, for example, he said that "much of the employment created so far had been in part-time jobs".

On top of the February disagreement, there were also signs of a difference in views in the January meeting.

The chancellor then said that "the objective case for a further ½ per cent cut in rates was quite strong" but the governor argued that "the risk associated with cutting interest rates now was greater than the risk associated with waiting". On that occasion, the chancellor agreed to do nothing.

A greater measure of unanimity was achieved at the March meeting, the minutes of which reveal that there is, as yet, no sign of any intention to raise base rates, as was feared by some commentators in the City of London.

The chancellor said in March that "it would be appropriate to consider a further reduction in interest rates if indicators subsequently suggested that activity was subdued and inflationary pressures remained under firm control".

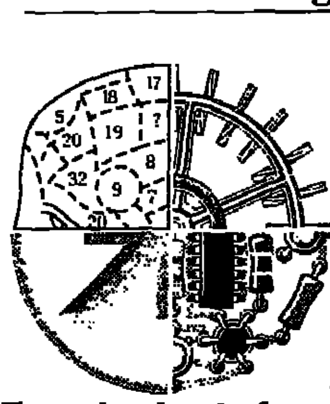
The governor said "there would be a case for a further easing of interest rates if the evidence suggested that activity was slowing", although he concluded that "at this stage there was insufficient evidence to warrant a cut".

A further meeting between the pair was held on March 30, and minutes will not be published until May 18.

The chancellor's stated aim in publishing yesterday the minutes of his monthly meetings with the governor of the Bank of England is to promote accountability and transparency in the operation of monetary policy.

Transparency has certainly been achieved, but the cost may yet be high. Financial markets rarely like to see open disagreement between government policy-makers and there may come a time when the published minutes lead to a sharp, and unfavourable, market reaction.

Worth Watching · Della Bradshaw



Two checkouts for the price of one

Supermarkets which want to speed up the movement of customers through the checkouts, and cut costs into the bargain, are being offered an automatic scanning system which enables one operator to serve two customers simultaneously without an increase in shoplifting.

The systems, developed by Potrafke, of Hattingen, Germany, consist of two parallel conveyor lanes with a cashier seated in between. The customer places the goods on the belt and they pass through a perspex covered tunnel where they are scanned. A carousel, synchronised to the conveyor, then carries away the goods so that the shopper can pack them while the next customer is using the conveyor.

Potrafke: Germany, 232421003; UK, 0532 323794.

Let's drink to plastic shoes

The ubiquitous plastic fizzy drinks bottle has been given a new life – as the uppers in the latest casual shoes.

One of America's biggest shoe makers, Bass, of Portland, Maine, has recycled the bottles into polyester fibres which are then woven into the fabric for men's and ladies' shoes. The bottles are ground down into crystals, then made into a flax and woven into a yarn. The dyes used to colour the fibres are biodegradable.

Bass: US, 207 791 4320; UK, 0664 62476.

A better display from liquid crystals

Today's portable computers with flat liquid crystal displays need the screens to be lit from behind in order for text and graphics to be visible. One of the big drawbacks is that this drains the limited battery power.

Now the Japanese electronics company Sharp has combined several technologies to produce a prototype thin film transistor screen which does not require a backlight.

Each of the picture elements, or pixels, which make up the screen is coated with an organic dielectric film which is highly reflective. Filters in cyan and red are also incorporated in the screen to help make the text clearer.

Sharp: Japan, 06 625 3007.

Getting a peep at rare books

Some of the world's rarest books and documents are stored in the Vatican Library. But every year only about 2,000 scholars are allowed access to the 150,000 manuscripts and 2m books.

To bring the works of art to the attention of a wider audience, the Vatican Library has teamed up with the Pontifical Catholic University of Rio de Janeiro and computer maker IBM to examine the creation of a database so that images of the manuscripts can be displayed on PC screens internationally. The images could be stored on CD-Rom or distributed across networks.

The pilot project will examine the feasibility of creating a high-resolution database from such fragile volumes.

Vatican: Italy, 66982.

Computer becomes a piano teacher

Would-be pianists for whom lessons still involve practising scales may soon be relieved of the boredom with colour, sound and action software which teaches the piano for a fraction of the cost of a human teacher.

The £109 Musicware Piano Course One gives pianists the equivalent of a year's music lessons, from the basics to playing with both hands, reading music and so on.

Developed in Redmond, Washington, by Musicware Piano, and distributed in Europe by Et Cetera, of Lancashire, the software can be used by anyone with a Windows PC, keyboard and sound card.

Musicware: US, 206 881 9797. Et Cetera: UK, 0706 228039.

Fuel cells are set to become the power source of the future, reports **Andrew Fisher**

Milestone on the road

They have been used in space travel and on the moon, in submarines and small power stations. Invented more than 150 years ago, they have recently been heralded as an answer to some of the world's most severe environmental problems and as the power-generating technology of the future.

So why have fuel cells – which produce electricity without serious pollution of the atmosphere – remained mostly in the laboratory and failed to make any impact on the commercial market? The answer lies not so much in the technology itself as in the cost of the process and the cumbersome nature of the equipment needed.

Yet this week, in its austere white research headquarters near Ulm in south Germany, Daimler-Benz demonstrated that it was well on the way to solving these problems. Germany's largest industrial concern showed off a white van packed full of pipes, valves and cables and with a big yellow cylinder for the hydrogen used to produce energy by reacting with oxygen from the air.

Daimler-Benz's chairman, Edzard Reuter, keen to show that the industrial group's expensive diversification into electronics, aerospace and other non-motor sectors was producing results, spoke enthusiastically of a "milestone on the road to ecological mobility". Hartmut Weule, research and technology director, said: "We are at the very beginning of a new phase of technology, comparable with the days when Gottlieb Daimler and Karl Benz were constructing their first vehicles powered by internal combustion engines."

But Weule was careful not to get carried away by this grand historical analogy. Much work remained to be done before fuel cell vehicles could be brought to the series production stage, he said. Daimler was also working to perfect further the internal combustion and diesel engines on which the fortunes of its Mercedes-Benz car and truck subsidiary still depend.

Weule left no doubt, however, of Daimler's determination to succeed in the technology of fuel cells, in which the group says it is ahead of automotive rivals such as General Motors of the US and Mazda of Japan. "We do not intend to wait until our Japanese or American competitors gain the upper hand in technology," he said. Already, the group – including AEG (electronics and energy generation), Dornier (aerospace and materials) and Deutsche Aerospace – has spent more than DM100m (£40m) on research into fuel cell technology.

Precious cargo: Necar's propulsion system emits no harmful exhaust gases and less carbon dioxide than conventional engines

The electric transporter van, shown off for the first time in Ulm on Wednesday, certainly does not look revolutionary. Inside, though, it contains the elements of a technological advance which enables Daimler to claim that it is the first motor company in Europe, and probably the world, to develop a fully working vehicle powered by fuel cells. Called Necar (new electric car), it has a more efficient propulsion system than any other type used in the industry while producing no harmful exhaust gases and far less carbon dioxide than emitted by conventional engines.

The energy conversion efficiency achieved by Daimler is up to 30 per cent compared with up to 20 per cent in internal combustion engines. Fuel cells, which work at low temperatures and do not rely on the burning of fossil fuels, produce no oxides of nitrogen or sulphur (the causes of acid rain), need no batteries which would have to be recharged or recycled and can obtain hydrogen from such different fuels as natural gas, methanol, biomass gas, methane and other gases.

With all these advantages, it is not surprising that research into fuel cells is taken seriously in the US and Japan, both of which have costly national programmes aimed at making the technology viable for transport and power generation.

A German project group, including Daimler, Siemens, the electrical and electronics group, the chemical industry and the federal research ministry, has just been set up to keep the country in the forefront of fuel cell developments. Weule would also like to see greater interest at European Union level – "they should be more active in Brussels".

To develop its fuel cell-powered vehicle, Daimler went into partnership with Ballard Power Systems, a Canadian specialist in this technology. Ballard has installed fuel cells in a bus in Vancouver and is working to extend its range and reduce its weight. Firoz Rasul, Ballard's president, is in no doubt that Daimler has taken fuel cell technology a considerable way towards commercial viability, despite the remaining problems. "This demonstration shows that it's here, it's real and the trick is to get the cost down."

Cost and weight are the big hurdles still to be overcome. Weule reckons the present cost of some DM10,000 for each kW of electricity needs to come down by a factor of at least 50, to around DM200 or less, before fuel cells can be installed in vehicles for private customers. This could take 10 or 20 years. Rasul, speaking from close knowledge of California's tough new pollution laws, which stipulate 10 per cent of cars should be zero-emission producing in 2003, is more optimistic. "I would say less than 10 years."

Rasul believes industry and governments are now waking up to fuel cells' potential. "The market is pushing it now and there is a new interest from the auto players." Ballard's contribution to the Daimler vehicle was the proton exchange membrane fuel cell, a thin polymer foil coated with a catalyst material containing platinum; this encourages hydrogen to ionise and react with oxygen to produce the electricity.

Weule says Daimler's electric vehicle will in future use widely available methanol to obtain the hydrogen instead of a pressurised gas cylinder. In a few years' time, Daimler aims to develop a fuel cell drive system far smaller than that in its Necar. Success would be a further step towards fulfilling Weule's belief that fuel cells will be "the propulsion technology of the next century".

Getting there by fuel cell

Just over 10 years ago, Ballard Power Systems took a second look at an all but abandoned technology. Now the Canadian company which is working with Daimler-Benz appears on the verge of a breakthrough in the efficient use of clean, abundant energy from fuel cells. It has attracted attention with the improvements it has made to a proton exchange membrane fuel cell pioneered by General Electric of the US.

Paul Howard, Ballard's vice-president, says the GE system (developed for the space programme) had been seen as too heavy, finicky and expensive. But in 1983, Ballard received a Canadian military contract for the fuel cells which produce electricity directly from oxygen and hydrogen without combustion.

They work with a polymer membrane as the electrolyte between two thin layers of platinum catalyst. These are sandwiched between two carbon electrodes. When hydrogen is piped next to one electrode and oxygen next to the other, a reaction occurs in the electrolyte, producing the electricity, heat and water.

Ballard improved the GE technology and by 1987 was ready to produce its first-generation 5 kW fuel cell, a series of electrodes, catalysts and plastic membranes bolted together, weighing 50 kg. An array of 24 similar cells, linked to an electric motor, powers its first test vehicle, a bus. This first generation of fuel cells has been sold to motor companies, including Daimler-Benz, for evaluation.

The next cells will generate more than twice as much power. In 1998, Ballard, working with Johnson Matthey of the UK to reduce the amount of platinum catalyst, plans to market the third and commercially viable phase. The 25 kW fuel cells will drive a large bus with a range of 560 km. A fourth generation 50 kW cell is at least 10 years away.

"We need to get to the power-to-weight ratio of an internal combustion engine. Today, we're probably about five or 10 times away from that," says Howard. "Automobiles in the future are going to be driven by fuel cells. Batteries aren't going to get there."

Stephen Wisenthal

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MANAGEMENT

Learn your PLC

A first invitation to join the board of a listed company is an exciting opportunity for anyone in business. But the post carries additional responsibilities and increased duties as well as prestige.

That is why the UK's Institute of Directors – increasingly vocal this year on the subject of raising board standards – is today launching a new two-day course expressly devised for recently appointed and prospective directors of publicly quoted UK companies.

There are already numerous general courses on the UK market, including those run by the IOD, aimed at training company directors. John Harper, professional development director at the IOD, claims this is the first to address the special issues faced by listed company boards. He estimates that there are 15,000 to 20,000 directors of UK publicly quoted companies.

Capital markets and financing options, insider trading rules, shareholder value and dividend policy, investor relations and opinions, internal audits, board committees and preparing reports and accounts are just some of the subjects that will be covered on the course.

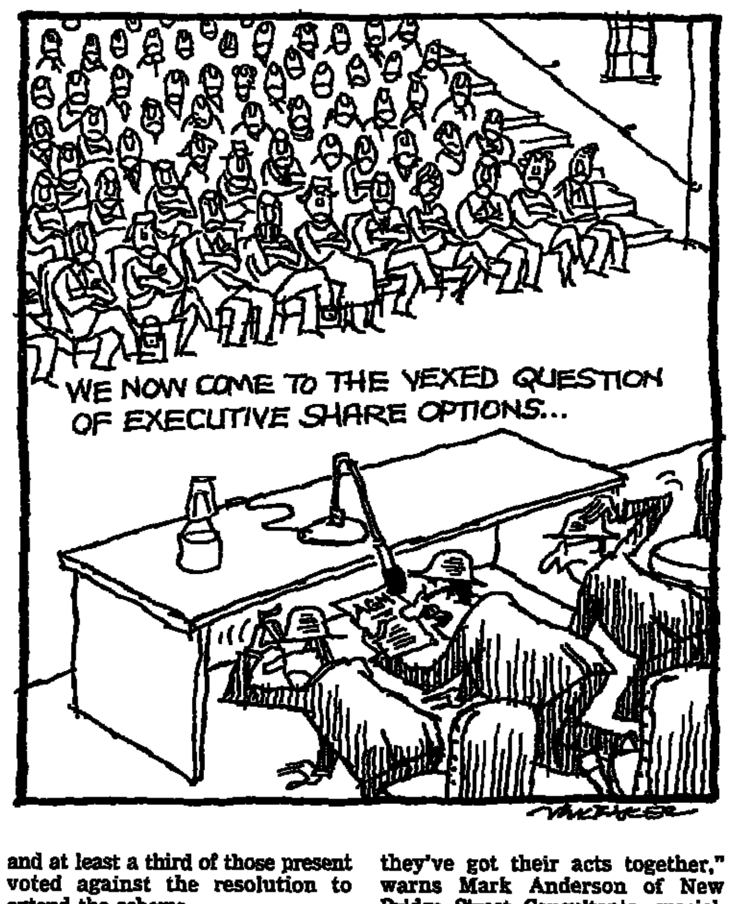
Joining The PLC Board has been developed by a team from the IOD, Henley and Ashridge management colleges, and Manchester Business School, with advice and input from several FT-SE 100 companies. The two days, running from Thursday lunchtime to Saturday lunchtime, will be split into nine modules – each led by an experienced business or City figure and an academic.

The first of the three courses planned for 1994 – price £2,250 plus VAT for tuition, accommodation, course material and meals – will be held at Henley, starting June 16. The others are at Manchester in September and at Ashridge in November. Details from the Centre for Director Development, Institute of Directors, 116 Pall Mall, London SW1Y 5ED.

Tim Dickson

Avoid the BP trap

Forthcoming AGMs are heading for conflict over executive incentives, say **Lucy Kellaway and Robert Corzine**



Last week British Petroleum learnt a lesson in how an annual general meeting can be hijacked over the emotive issue of executive incentives.

Reports of the bad-tempered meeting will have been read with horror by other publicly-quoted companies which will shortly be asking their shareholders for permission to renew share option schemes.

On BP's agenda was a resolution extending a scheme for 500-600 managers. A similar item will be on the agenda of most company AGMs this year, as their existing 10-year schemes, introduced in 1984 to take advantage of tax breaks, formally expire. Since share options are the only part of a remuneration package on which investors have the right to vote, the occasion is being viewed by shareholders as a golden opportunity to exert an influence on the fraught question of executive pay.

BP executives say they knew in advance that questions on the issue would be raised from the floor. But Lord Ashburton, BP chairman, seemed taken aback by a broadside of complex questions and statements that flowed from a member of the UK Shareholders Association, which represents smaller investors.

The accusations came fast and furious:

- The lack of details on performance criteria meant BP was in violation of the Cadbury code of corporate governance and guidelines of institutional shareholders, such as those of the Association of British Insurers and the National Association of Pension Funds;
- The compensation committee of the board of directors was not independent enough;
- References to the scheme in the annual report had been misleading.

Lord Ashburton bravely tried to separate the various strands of questioning, but the share option scheme became hopelessly entangled with another incentive plan for BP's top 90 executives that was not on the agenda. His statement that the ABI had found "technical shortcomings" in the scheme's performance criteria signalled the end of the confrontation and a tactical retreat to the security of an overwhelmingly large block of proxy votes offered up by institutional shareholders.

As for the small shareholders sitting high above the fray in the lofty heights of London's Barbican's theatre, they too seemed flummoxed by the confusion below. But shareholder sentiment, smarting from an extension of BP's frozen dividend, was not on the side of management.

Many of the allegations may have been misleading, half-truths or downright wrong, as BP officials later claimed. But they were received with rounds of applause, and at least a third of those present voted against the resolution to extend the scheme.

BP's post-mortem of the day no doubt centred on how the executive incentive issue came to dominate what were otherwise generally positive proceedings on BP's rehabilitation from the dark days of two years ago, when Robert Horton's sudden departure from his twin posts of chairman and chief executive triggered a troubled period for the company.

The BP experience not only indicates that shareholders are baying for blood, but that there is much confusion on what constitutes an acceptable new options scheme.

"Companies had better make sure they've got their acts together," warns Mark Anderson of New Bridge Street Consultants, specialists on executive pay.

Shareholders have been increasingly vociferous on the issue of options over the past two years in preparation for the season of mass renewal of the plans. After considerable disagreement among themselves, the ABI and the NAPF have decided they will only approve future schemes that contain a measure of performance.

The joint guidelines the two bodies issued last year stated that companies and their remuneration committees could choose the performance measure best suited to them. It was implicit in the recommendation that shareholders, in order to make an informed vote on the scheme, would need to know precisely what that measure was.

BP was taken to task last week mainly because it failed to announce what its criteria are. However, the institutional investors were perfectly happy with its excuse.

The company argued that it was not yet ready to issue any options under the new scheme. It pointed out that fluctuations in oil prices and exchange rates made the two most common performance measures – share price and earnings – inappropriate. It said it was working on a complex measure of performance that compared its own return to shareholders against that of the other oil majors.

BP already uses this measure to reward its most senior people as part of an annual bonus, but at present the measure is calculated just once a year. If the measure is to be extended to share options it must be more flexible and the company is looking at ways of achieving this.

The ABI denies that in approving the options scheme last week, it was signing a blank cheque. BP has pledged that it will inform shareholders of the performance measure, which will have been thoroughly analysed by its own remuneration committee. The ABI reasons that although shareholders will not get the chance to vote, they could make life very embarrassing for the oil giant if its performance measure is inadequate.

Other companies, meanwhile, should have learnt the lesson. Most are likely to announce loud and clear their chosen performance criteria at the outset.

For most the choice of measure will be easier than it was for BP. Few other companies are in sectors homogenous enough to allow performance to be compared against their peers, so they are likely to choose more conventional measures. Moreover, few businesses are so at the mercy of commodity prices.

According to specialist pay consultants who are helping companies to finalise their new schemes, the most popular measure is likely to be earnings. Many will plump for a criterion that allows executives to exercise options if the company's earnings beat inflation by 2 per cent in three successive years.

Some are still dithering, waiting to see what sort of performance measures others go for before making a decision.

And a few companies have found the area so perplexing that they have decided to shelve the whole dreaded question of executive share options until next year.

Paean of praise in model guise

Christopher Lorenz reviews a new study of European management

European managers are subtle, socially responsible and humane, believe that maximum profit is not the primary aim of business, and consider it better to be shrewd and cunning than simply rational.

They are more adept than their American or Japanese counterparts at handling "diversity" – they benefit from cultural differences within their organisations and serve different market preferences around the world.

European chief executives are also more accomplished leaders than their American and Japanese peers, earning loyalty rather than imposing their will.

This remarkable paean of praise for Europe's business community comes in a study published this week on behalf of the European Round Table of Industrialists, a lobby group of chairmen and chief executives from 40 large European multinationals including Volvo, Philips, Lafarge Coppee, BSN, Hoechst, Solvay, Siemens and Unilever.

The study – published as a book* co-authored by an American journalist and two respected continental European academics – is essentially an opinion survey of the ERT's members, plus a few Americans and Japanese. But it is presented as an emerging "European management model" – something that other European business people and academics have been trying for years to develop as an antidote to the dominant US model of ultra-rational, homogenous management styles and techniques.

As an obvious confidence-rebuilding exercise for demoralised European managers, the book has an upbeat tone. But its content is by no means entirely positive and nuggets of realistic criticism shine through:

- European companies pay a price for their social attitudes, in terms of lower flexibility and reduced economic effectiveness;
- They suffer from a fear of risk-taking and failure;
- European culture does not encourage people to work in teams;
- The relative security of semi-regulated markets, plus Europeans' "fierce pride in their engineering prowess", has deterred companies from putting customers first, and from matching Japanese quality levels;
- Europeans are "handicapped by their sophisticated world outlook that sees every country and culture as different and deserving of tailor-made treatment".
- European companies must become much more adept at changing, and at living with uncertainty.

The study is at its most valuable when the academics set the executives' comments in the context of their own wider research.

For instance, they stress the difference between a monocultural "global strategy", as pursued by many US and most Japanese companies, and a "world outlook" which sees the globe as composed of interconnected but distinctive details.

Another prominent theme is the need to reconcile contradictory forces: global, regional and national strategies; social responsibility and profits; long-term planning and short-term flexibility; diversity and integration; leadership and management; individuality and team work; a balanced life and commitment to the company.

The trouble with that list – which the study claims is the foundation of its emerging "European management model" – is that it could have been drawn from the very source that the ERT so decries: a collection of US business school professors.

Yet that does not necessarily invalidate the study's conclusion that, provided they make the effort, Europeans should prove better than Americans or Japanese at managing these conflicting forces. Whether that will create a "renaissance of European management", as the ERT hopes, is quite another matter.

**Euro Management, by Helen Bloom, Roland Calori and Philippe de Woot. Kogan Page. £9.99.*

PROPERTY

Happy returns

Vanessa Houlder on the reasons behind the improved investment outlook in the UK

Returns in the UK property investment market posted their fastest recovery on record last year, according to the annual review of the sector by Investment Property Databank, a research group. Investment returns reached 18.1 per cent, a 22 percentage point improvement on the previous year.

After sinking so low, it is perhaps unsurprising that the investment market would rebound vigorously. But the factors driving this strong upturn are more complicated than first meet the eye.

The IPD report suggests that the recovery took place in spite of, not because of, the behaviour of two crucial components of the market: tenants and institutional investors. Although there was some improvement in demand from tenants, it was insufficient to stop the fall in rents, which dropped by an average 8 per cent over the year. Meanwhile, net institutional investment totalled just £466m last year, the lowest for 13 years.

Instead, the main underlying causes behind the recovery can be traced to the behaviour of the bond markets: when bond yields fell sharply last year, they dragged property yields down with them, thereby improving property values.

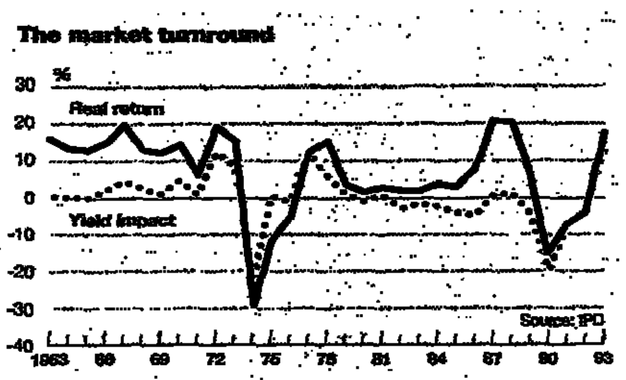
The reason for the close correlation between bond and property yields last year was that property started to resemble a fixed-income investment – valued on the strength of its existing income rather than its potential income growth.

This was because an increasing number of properties were 'over-rented' – the term used to describe properties whose tenants are locked into leases that require them to pay rents at above the market rates. Since the rental income from these 'over-rented' properties is unlikely to increase for several years, the value of the properties will depend on the security of the current stream of income.

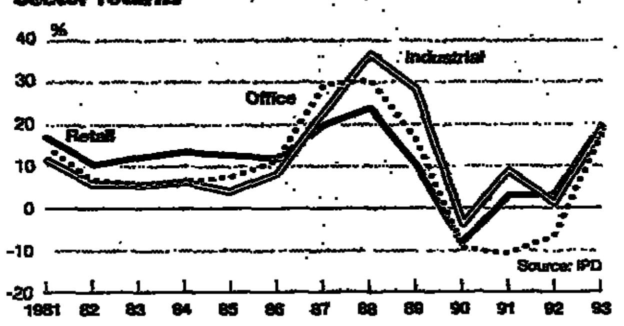
The IPD statistics, which are based on property amounting to 75 per cent of all institutionally-owned buildings (valued at about £40.4bn), underlines the extent to which this type of property has become 'over-rented'.

After the sharp fall in rents of the past few years, 44 per cent of all institutional tenants paid above market rents at the end of 1993, according to IPD. Even institutional portfolios spread across all sectors and regions are, typically, 'over-rented'. Among such properties, the gap between rents paid and the market rate is in excess of 30 per cent.

The market turnround



Sector returns



The consequence of this 'over-renting' was that property assumed some of the characteristics of bonds. And as bond yields fell, property yields tumbled in tandem, from 10.7 per cent to 9.2 per cent over the year, according to IPD.

> 'The trend in property returns will be vulnerable to shocks in the gilts market'

One outcome of the increasing similarity between property and bonds was that all the sectors of the market produced similar returns: retail returns were 19.6 per cent, industrials 19.3 per cent and offices 18.3 per cent. Those properties with the greatest degree of 'over-renting', such as City of London offices, enjoyed the greatest benefit from the movement in yields. 'Over-renting' had least impact in the retail and industrial sectors. In these sectors regional variations in performance continued to reflect rental trends, with the Midlands and the north generally recording smaller falls in rental values, and thus higher returns, than London and the south.

Retail property posted a 1.7 per cent drop in rents, less than a fifth of that recorded for either offices or industrial property last year. By contrast, office rents dropped by a further 13.7 per cent in 1993, taking the total decline in office rents to 42 per cent since 1989.

As in the retail sector, office rents fell further in the south than in the north. However, this north-south rental divide was masked by heavy 'over-renting'. Some of the highest office returns were in the most 'over-rented' markets, such as the City which produced a 20.4 per cent return in 1993.

The dominant role played by bond movements in increasing property values last year was reinforced, in some sectors, by the pressure of investors' demand. The best-performing sectors – such as retail and distribution warehouses which produced returns of 34 per cent and 30 per cent respectively – owed their strong returns to a particularly sharp fall in their yields, which stemmed from strong net investment.

However, for most of last year, the net impact of institutional investors on the market was subdued, according to IPD. Although institutions are currently among the most enthusiastic purchasers of property, their renewed presence in the market was not evident until autumn 1993. For the early part of last year, the most active buyers were foreign investors, private companies and quoted property companies.

In fact, institutions sold more property than they bought last year: £2.63bn in purchases against £2.98bn in sales. Institutions' net investment climbed on the back of £473m spent on development and £343m on improving buildings.

Retail property was, by far, the most popular sector for investors, accounting for 86 per cent of the total net investment in 1993; retail warehouses alone accounted for 59 per cent of the total net investment. Institutions were net investors in offices in south-east England (excluding London), but were net sellers of property in the City and West End.

Although institutional demand rose strongly at the end of last year and is still high, IPD strikes a warning note about the sustainability of a recovery that depended so heavily on bond movements.

"This upturn is almost exclusively an investment phenomenon, based upon falling yields," said Mr Rupert Nabarro, managing director of IPD. "The trend in property returns will be vulnerable to shocks in the gilts market."

The IPD report adds: "Questions remain as to the strength of the 1993 recovery . . . A sustained recovery will depend in the medium-term upon low interest rates and continued investor demand."

PEOPLE

Turner to manage UES Steels

UES Holdings, the Rotherham-based engineering steels and forgings company, has strengthened its top management by appointing Don Turner to the key post of managing director of the UES Steels division.

With effect from July 1, Turner replaces David Stone, who will become managing director of UES Holdings' subsidiaries division, which has interests in bright bar – a shiny steel used in the automotive and other industries – stockholding and metal reclamation.

Stone will also directly assist Don Ford, UES Holdings' chairman, on matters such as relationships in Europe and US trade issues.

Ford said Stone would be retiring in two to three years, but stressed: "I am not moving him aside, but planning the succession in a managed way."

The changes come only seven months after UES restructured the company, eliminating the post of chief executive and giving greater autonomy to its three operating divisions. As a consequence, chief executive Graham Mackenzie left the company.

The shake-up was engineered by UES' two owners, British Steel and GKN, and Turner's appointment was carried out with the full approval of the two shareholders. The final selection was left to Ford, however.

Turner, 54, has been managing director of British Steel's tinplate division since 1992, but will be on familiar ground in Rotherham as he previously ran British Steel's narrow strip business, based around the Brinsworth strip mill in the Yorkshire town.

UES Steels has been hit badly by rising scrap prices, reduced selling prices, and what it sees as unfair subsidies in Europe.

Last year UES Holdings lost a record £48.1m, but according to Ford this year's loss will be much lower. GKN has made clear it would sell its 39.1 per cent stake if an opportunity arose.

At British Steel Tinplate, Turner will be replaced by Tony Vickers, currently technical director at British Steel's strip products business.

■ Noel Davies, chief executive of VSEL Consortium, has been elected president of the Engineering Employers' Federation for a two-year term. He succeeds Graham Mackenzie, who will continue as acting director-general until a replacement is appointed. The previous director-general, Neil Johnson, left last autumn.

■ Robin Gourlay, who became deputy chairman of Anglian Water in February, is to take over as chairman, probably by the autumn. Gourlay, chief executive and managing director of BP Nutrition will take over as soon as his responsibilities at BP have been completed. He replaces retiring chairman Bernard Henderson.

Gray moves to HSBC

HSBC Holdings has appointed Robert Gray, chairman of JP Morgan Securities and one of the best-known figures in the international capital markets business, to help build up the group's global underwriting business.

Gray, 44, joined the London office of the US investment bank in 1971 and he has been closely identified with establishing JP Morgan's name in the European and Asian capital markets.

His new position will be managing director, global capital markets at HSBC Markets. HSBC Markets embraces the treasury and capital markets businesses of HSBC Holdings and Midland Global Markets which include well-known names such as Samuel Montague in London, Trinkaus & Burkhardt in Germany and Wardley in Hong Kong.

He starts his new job in May and will report to Stephen Green, group treasurer at HSBC.

"I would like HSBC to become one of the largest players in the international underwriting business and we have every reasonable prospect of getting there," says Green.

Well-matched company

From secretary to commercial director in nine years is no mean feat; but then to return voluntarily to being a personal assistant and, once more, rising to the top ranks of yet another company is a rare achievement.

Jan Reynolds, below, has just been appointed managing

director of Octavius Hunt, part of the Chemring group since 1991.

The UK's last remaining match manufacturer, Octavius Hunt is based in Bristol, from where it produces a variety of specialist pyrotechnical and smoke equipment for such diverse entities as the ministry of defence and banana importers.

Reynolds, 51, spent almost 10 years with Pollastrip, then part of the Tarmac group, rising from secretarial status in 1980 to be commercial director by the time she left in 1989.

"Having become disillusioned with being part of a large organisation I decided to go back to being a personal assistant for a smaller operation," she says.

She then joined Octavius Hunt in 1989 as person assistant to Derek Luffingham, who then owned the company. Within a year, she was once more a director; she now replaces Tom Davies – who is taking on a broader role within the Chemring group – as managing director, running the company.

No disillusionment this time round, either: "Rather, I feel a bit like the people in the latest British Gas ads, who say they just love being in control."

With the company just recently launching into the retail and display fireworks' market, Reynolds is likely to find much to spark further interest.

Went joins Coutts

David Went, chief executive of National Westminster Bank's Ulster Bank subsidiary, has been given the job of turning Coutts, the frock-coated bankers to Britain's royal family, into a "truly global private bank" which can compete on a par with the private banking arms of US banking giants such as J P Morgan and Citicorp.

Went, a 47-year-old Ulsterman who trained with Citibank, has been appointed to the new post of chief executive of Coutts Group, parent of Coutts & Co in the UK and Coutts International Private Banking.

Although the 300-year-old Coutts has been a NatWest subsidiary for many years, it has been allowed to operate independently. Analysts have felt that NatWest has failed to exploit one of the best known brand names in private banking.

Just over two years ago NatWest installed one of its own managers, Ian Farnsworth, as managing director of Coutts & Co. Since then its profits have recovered strongly and Bernard Horn, NatWest's international chief, says that Went's appointment is the next stage in the plan to build a "world class private banking operation".

Horn denied yesterday that this would involve taking Coutts down market and said that the changes had nothing to do with last September's retirement of Sir David Money-Coutts, who had worked for Coutts for 40 years and been chairman since 1976. Horn added that what Coutts needed was not more capital but more customer relationship officers and new products. Went will be based in London but it remains unclear whether he will sit in Coutts Strand headquarters.

Apart from NatWest veteran Ian Farnsworth, 56, the other member of the new management team is Jean-Pierre Cuoni, 56, chief executive of Coutts International Private Banking. Cuoni, a Swiss citizen, spent 22 years with Citibank before joining Coutts & Co in Zurich in 1988.

Went, who joined Ulster Bank in 1976, takes over on June 1 and will be replaced as chief executive of Ulster Bank by Ronnie Kells, 55, who has been with the bank since 1964.

صكنا من الاصل

A theatre in free flight

Alastair Macaulay talks to Lev Dodin, the artistic director of the Maly Theatre of St Petersburg

For decades, the west knew next to nothing about the performing arts troupes of Russia. Even the big Kirov and Bolshoi ballet companies toured far less than their western admirers would have liked. Now the situation is reversed. It is the west that sees the Russian companies most.

Ballet and opera, though more expensive, are more obviously international arts. But the spoken theatre? One company in particular has pandered to the growing western appetite for Russian theatre. The Maly Theatre of St Petersburg, which has made several visits to the west in recent years, has now begun to spend most of its time outside Russia. Last weekend it finished a season at the Odéon, Paris; this week it begins a tour of Britain. The scale of the endeavour is probably without precedent in the history of the spoken theatre. The Maly company has 85 members; it brings five different productions to Britain (including the two-part *Brothers and Sisters* and three-part *The Devils*); it will visit London, Manchester, Glasgow, Newcastle, and Nottingham.

The company's artistic director is Lev Dodin. In interview, he at first delivers a certain amount of Eurospeak. "These new contacts are very important for us... We gain a new quality of communication in the west. Performing here has become natural; it makes us aware we are all part of one community." He drops the "one community" line, however, when I make the error of referring to St Petersburg as a more conservative city than Moscow. "St Petersburg had always the more profound culture. Things were hatched there before appearing on the surface. The surface is where Moscow picked things up."

This is true Petersburg-speak, and wonderful. "St Petersburg is built according to laws of beauty, and these laws shape our thought. The Soviet regime stifled ideas, and more so in St Petersburg. It was easier to keep down inventive thought there, whereas the bureaucracy in Moscow allowed various different channels there. But St Petersburg was always alive to the work of Meyerhold, Akhmatova, Brodsky, Shostakovich."

Today, he says, there are as many experiments in St Petersburg as in Moscow. "You can do what you like now – if you have money. But it's hard, as yet, to judge the results." I ask if there had been an extra stimulation in trying to create new work under the Soviet regime. "Well, it gave certain spurs, certain energy, yes. But it was the energy of craziness. It's very hard to create in a situation where any minute your mouth can be stopped. The absence of freedom has taken away a lot of force from Russian theatre. Now it is a new world – one of financial values."

Will theatre be able to preserve its role? "This is a very serious question for us. You know from your own country that theatre easily becomes an entertainment industry. That is not real art." I think of Solzhenitsyn and his discomfort in the west. What is it like being a company in exile, I ask? "No, no, not exile, but free flight! We have been abroad since January, and we return in June. We will work there, and perform in September. We perform in the west so much because this is the best way we can support the staff in our theatre. There are people at the Maly now whom we can only support by working here. We have to send a *lot* of money home; and this is getting harder."

The company has made its western reputation with theatrical adaptations rather than by performing plays that were written as plays. The Paris season ends, however, with Chekhov's *The Cherry Orchard*, with which the British tour opens. This was my introduction to the company's work, and it is, by most accounts, by no means the best. The company's admirers love the theatrical energy and intensity of its stagings; but *The Cherry Orchard* is a play with a great deal of languor, which Dodin observes. Nonetheless, this staging is less naturalistic than most British productions.

The play has one single set, which changes in the light. It is, by turns, a hall of mirrors, a wall of windows opening onto cherry trees, a dark interior. Splendid; but why so much surrounding darkness in the daytime scenes? Dodin feels that this is not a naturalistic play; while talking of the comic element in Chekhov, he says "It is *not* a naturalistic drama, not a sad tragedy. It is a spiritual tragedy which is sometimes very comic. The comedy is that of human life. A human's life is very short and limited. A human is unwilling to accept this, which makes his life only faster. This is close to Shakespeare. The comic aspect *is* dramatic."

This staging, daringly, is given without an interval; and the second act is in Chekhov's original version. I have always loved the asymmetries of British Chekhov stagings, the ways that two or more activities are frequently going on at different tempi, and the way that the people in the stage world never stop to orate to the audience. Dodin, however, frequently has events happen bang on the centre-line of the stage, underplays any multiplicity of stage incident, and has certain speeches delivered straight out to the audience.

But his company is a true ensemble, and they bring to it a Russian ease in large emotion, easily able to switch between laughter and tears, or indeed to catch both at the same time. Dodin again: "A common spirit is very important in Chekhov. When individual stars appear in Chekhov, they make it less like Chekhov, more like any other play. You must hear the music of the Chekhov symphony. Or, rather, the small evening serenade."

The Maly Theatre tour starts with *The Cherry Orchard*, until April 17 at the Lyric, Hammersmith. The Forum Theatre, Manchester, presents *Brothers and Sisters* and *Stars in the Morning Sky*, April 20-24; as does the Nottingham Playhouse, May 24-28. Glasgow presents all five productions, at the Citizens and Tramway Theatres, April 29-May 15. The Newcastle Playhouse presents *Brothers and Sisters* and *The House*, May 18-21.

Scene from the 'The Cherry Orchard', which had its British premiere at the Lyric, Hammersmith, last night

Theatre/**Malcolm Rutherford**

No love in 'The Butterfly Kiss'

No-one likes to break a butterfly upon a wheel, so I shall be gentle with the new play at the Almeida, save to say that it is one the most unpleasant pieces I have seen on a London stage. According to a programme note, the subject of Phyllis Nagy's *Butterfly Kiss* is matricide, "dramatically speaking", the note claims, "a no-go area". And it is true that a girl does kill her mother. But it is not the subject one objects to; it's the play.

A butterfly kiss, the programme also reveals, is American slang for "a caress given by winking one eye so that the lashes brush against the face of the receiver". Yet unless you count the increasingly frenetic groping of a couple of lesbians in the background, there is not much caressing in the piece; nor much winking either.

Instead, there is a lot of brandishing of a vicious-looking kitchen knife and the suggestion, possibly a joke, that Sloan Ross, the ex-US Marine turned lepidopterist, may kill butterflies with a Luger, the same gun which is eventually used by his daughter to kill his wife.

The motivation remains obscure throughout partly because this is one of those irritating plays that dot backwards and forwards in time. But even if you try to put the events in chronological order, the motives are still unclear.

There is an old woman and a daughter, both of whom seem fairly high on the bottle. The daughter marries the ex-marine, who turns up at the wedding with another ex-marine as best man and a floozy who (we learn) is already the mistress of the groom.

Sloan, the groom, tells his wife that he does not want children – yet. Nevertheless, a daughter called Lily arrives and it is she who may be at the centre of the piece. By the time she is 14, she has seduced the other marine. She then kills her mother with the gun handed to her by her father, possibly at her mother's drunken request: there is some suggestion that it is manslaughter, not murder. Lily (played by Elizabeth Berridge) is also seduced by a lesbian named Martha – who at least has the virtue of being the only remotely attractive character in the piece.

Perhaps there is something to be said for Sloan's amiable ex-marine friend, Teddy Roosevelt Hayes, but since the part is not filled out it is impossible to say. There is a striking set, with a case of butterflies in the background, designed by Mark Thompson. Otherwise one wonders what a director like Steven Pimlott and a theatre like the Almeida are doing with a piece like this. Phyllis Nagy, the author, is a New Yorker living in London who is now the Arts Council writer-in-residence at the Royal Court, so there may be more to come.

Almeida Theatre until April 30. (071) 359 4404

Recital/**John Allison**

Alfred Brendel

London heard the fourth instalment of Alfred Brendel's latest Beethoven series on Tuesday night. Complete cycles of the composer's 32 piano sonatas ought always to be enlightening events – for the Brendel fans who packed the Royal Festival Hall, this recital plainly was – but it seems that this legendary pianist has lost the instinctive, inspiring powers of his earlier self.

Brendel has, of course, performed complete Beethoven cycles umpteen times. This widely-spaced series is different: seven programmes spread over three-and-a-half years (it is not due to finish until summer 1995), each repeated in various European and North American cities. Brendel is now halfway through, but since his approach is not chronological, we heard four early sonatas (numbers 8-11) and the later *Lebewohl* op. 81a.

Though Brendel brought no special insights on Tuesday, there were good things, mostly in the second half. The soaring, turbulent op. 22 was tightly argued; its *Allegretto* finale had clarity and elegance. Brendel's *Lebewohl* had a radiant conclusion, reminding one – for the only time during the evening – of Beethoven's life-afirming qualities.

The "simpler", more direct works were less successful. At best they were unremarkable, but often the music sounded mannered and inflated. In op. 14 no. 1 Brendel pulled the almost-Mozartian scales and arpeggios around, and no. 2 in the set was even more heavy-handed – his antics distorted grotesquely the miniature variations that make up its middle movement (they drew spontaneous applause). The *Sonate Pathétique* lacked dramatic breadth, and detail was smothered in the breathless outer movements.

Much of Brendel's playing now sounds cantankerous. His intellectualism stifles the music. One of the visionary musicians of our time is in danger of becoming a monument to himself.

The programme is repeated in San Francisco (April 22), Los Angeles (April 26), Toronto (May 7), Princeton (May 9), and New York (May 12).

Dissonance in Prague

Andrew Clark finds Czech Philharmonic supporters out of tune with its new conductor

There is disharmony at the Philharmonic. Not at the London, Berlin or New York philharmonics, but in Prague, where the Czech Philharmonic and its audiences are deeply divided about the first foreign music director in the orchestra's 98-year history.

In most countries, the appointment of a foreign conductor would cause few problems, and could even add to an orchestra's prestige. Not one of London's four independent orchestras, for example, has a British music director. But in the Czech Republic, where national pride is identified with leading artistic institutions, the arrival of Gerd Albrecht from Germany has aroused intense passions.

The issue recently took on a political dimension when Albrecht turned down an invitation for the Czech Philharmonic to play at the Vatican. President Vaclav Havel openly criticised him for "damaging the esteem of the Czech Republic".

Albrecht's appointment is hardly new. In 1991, the orchestra held its first-ever vote for the post of chief conductor and by the narrowest of margins, Albrecht defeated the Czech incumbent, Jiří Bělohlávek. But it is only in this season, since Albrecht took up the appointment and began conducting regularly in Prague, that the consequences have become clear.

In the post-revolutionary atmosphere of freedom and democracy, the players saw Albrecht as a passport to fortune. He bore the promise of lucrative foreign tours and recording contracts, none of which has materialised: western agents and record companies are only interested if the orchestra works with Czech conductors. "The orchestra is losing out," says Anthony Howard of IMG Artists, the agency which has organised the orchestra's recent visits to Britain.

"A lot of concert promoters are interested in the Czech Philharmonic, but not in Gerd Albrecht. He's not regarded as a top-notch conductor and he's German. The package doesn't fit. The Czech conductors with whom the orchestra used to work may not have been household names, but they fitted in and produced good results. Albrecht's appointment was not a good idea."

Albrecht nevertheless has many supporters in Prague. While increasing the profile of Bruckner and other German composers, he has conducted a wide variety of Czech repertoire, programming rarities by Fibich and Martinu alongside popular works by Dvořák. "The Czech Philharmonic has always been charmed by conductors like Sawallisch and Albrecht," says one local critic. "Albrecht has the detached, perfect German baton."

But these qualities are exactly what opponents cite as alien to the orchestra's tradition, and many older members of the orchestra and its audience remember the German wartime occupation. "He's a good enough conductor," says one orchestra veteran, "but whether he's right for us is another matter. The Czech Philharmonic became famous by playing under great Czech conductors like Talich and Ančerl. When Albrecht conducts, everything is exact and cool. It lacks spontaneity and the Czech spirit."

If Albrecht had the international reputation of Colin Davis or Kurt Masur, his opponents would doubtless accept him. But the orchestra cannot afford a front-rank foreign conductor.

It has given Albrecht a five-year contract with sweeping powers, enabling him to veto the Vatican concert, which had been offered to another conductor. "A strong management would take control of the situation, but there's no one with the guts or the knowhow to do it," says one Philharmonic insider. "The orchestra is paying for its own arrogance. They'll be crawling back to Bělohlávek in five years."

Ironically, the two main beneficiaries of the Albrecht controversy have been Bělohlávek and the Prague Symphony Orchestra. Bělohlávek, still only 48 but with a reputation as a strong orchestral trainer, has wasted no time in developing his freelance international career. The Prague Symphony is picking up prestigious engagements at home and abroad which would previously have gone to its older rival. Under its chief conductor, Martin Turnovsky, it has traded profitably on its Czech character.

"We want to be a Czech cultural institution that is open to the world," says Roman Belor, the Prague Symphony's manager. "At the same time, we feel a responsibility for the continuity of Czech culture. There's something special in the atmosphere of Prague and the Bohemian countryside, in the traditions handed down and the mixture of middle-European influences, which give a distinctive sound to the music made and played here.

"It doesn't prevent foreigners from giving good performances. But the advantage of Czech conductors and Czech orchestras playing this music is that they are Czech – they were born here."

INTERNATIONAL ARTS GUIDE

CITY BALLET SPRING SEASON

New York City Ballet opens its Spring season on April 28 with a two-week run of *The Sleeping Beauty*, choreographed by Peter Martins. Repertory also includes 21 works by Balanchine, 13 by Jerome Robbins, five by Peter Martins and one by Richard Tanner.

The company's Diamond Project in late May will showcase the work of 12 choreographers, including Ulysses Dove, Anna Laerkesen, Robert LaFosse and Richard Tanner. For more than 40 years, NYCB has been committed to creating a wide-ranging repertory that shows ballet's imperial heritage as a beginning rather than an end. The company sees the Diamond Project as an additional step in this tradition. The season runs till June 26 (New York State Theater: 870 5860).

American Ballet Theatre can also be seen at the Lincoln Centre from April 25 to June 4. The programme includes Kevin McKenzie's full-length version of The Nutcracker, the world premiere of a new work by Canadian-born choreographer James Kudelka, the company premiere of Lar Lubovitch's A Brahms Symphony and revivals of Anthony Tudor's Echoing of Trumpets and Les Sylphides. There will also be a selection of popular favourites, including Giselle and Swan Lake (Metropolitan Opera House: 362 6000).

■ EXHIBITIONS GUIDE

AMSTERDAM
Rijksmuseum *Dutch Figure Drawings 1700-1850*. Ends May 1. Closed Mon
Van Gogh Museum *Pierre Puvis de Chavannes*: 150 portraits, still lifes, genre pieces and sketches by the 19th century artist whose *murals* grace many public buildings in France. Ends May 29. Daily
BASLE
Antikenmuseum Rediscovering *Pompei*: this internationally -acclaimed touring exhibition of 200 objects includes jewellery, ceramics, statues and household objects, plus a reconstructed garden with mosaics and a room complete with original frescoes, offering insight into daily life in the Roman town. Ends June 26. Closed Mon
COLOGNE
Museum Ludwig The Unknown *Modigliani*: 240 of the 440 hitherto unknown drawings amassed by Paul Alexandre before 1914. Ends July 10. Closed Mon
Josef-Haubrich-Kunsthalle The World of the Maya: 300 objects from the golden years of Indian culture in Central America. Ends May 15. Daily
FRANKFURT
Deutsches Architekturmuseum Modern Architecture in Germany 1900-1950: Expressionism and the Neue Sachlichkeit. The exhibition, the second of three tracing developments in 20th century German architecture, focuses on the avant-garde architectural utopias of the interwar years, aimed at meeting the needs of an era of political and social turmoil. Ends July 3. Closed Mon
LONDON
Royal Academy of Arts Goya. Ends June 12. Daily (advance booking 071-396 4555)
Hayward Gallery Salvador Dali: *The Early Years*. Ends May 30. Daily (advance booking 071-928 8800)
Tate Gallery Picasso: 200 works focusing on the relationship between sculpture and painting. Ends May 8. Daily
National Gallery Jacob and his Twelve Sons: a little-known series of 13 paintings by 17th century Spanish painter Francisco de Zurbaran. Ends May 22. Daily
British Museum The Study of Italian Drawings: a tribute to the late Philip Pouncey. Ends April 24. Daily
Whitechapel Art Gallery Medardo Rosso (1858-1928): retrospective of the Italian Impressionist sculptor. Ends April 24. Closed Mon
Serpentine Gallery Markus Raetz: a selection of refreshingly undidactic paintings by the Swiss conceptual artist. Ends April 24. Daily
LYON
Musée des Beaux-Arts The Romantic Movement in France: paintings, sculptures, drawings and engravings from the museum's own rich collection of works by Charlet, Delacroix and others. Ends June 19. Closed Mon and Tues
MADRID
Fundacion Juan March Isamu Noguchi (1904-88): 58 outdoor sculptures expressing the oriental and western cultural traditions inherited by this American artist of Japanese origin. Ends June 26. Daily
Centro de Arte Reina Sofia Joseph Beuys (1921-86): 10 installations, 25 sculptures and 456 drawings by the controversial postwar German artist. Ends June 6. Closed Tues
MARTIGNY
Fondation Pierre Gianadda Auguste Rodin: 90 drawings and watercolours and 10 sculptures. Ends June 12. Daily
MILAN
Palazzo Reale *The Goths: the exhibition aims to shed light on a mysterious people, with new material dating from the first to* the fourth centuries, on loan from the St Petersburg Hermitage and museums in Poland, Moldavia and Ukraine. Ends May 8
MUNSTER
Landesmuseum Stangl Collection: 260 paintings collected by the owners of a renowned Munich gallery, including works by Klee, Beckmann, Jawlensky and other members of the Blaue Reiter. Ends May 15. Closed Mon
NEW YORK
Museum of Modern Art Frank *Lloyd Wright: architectural* fragments, full-scale constructions, scale models and 350 original drawings. Ends May 10. Feininger, Kandinsky and Klee: 75 prints and illustrated books produced by three Bauhaus artists. Ends May 17. Closed Wed
Metropolitan Museum of Art The Decorative Arts of Frank Lloyd Wright. Ends Sep 4. Caspar David Friedrich to Ferdinand Hodler: 19th century paintings and drawings from Germany and Switzerland. Ends April 24. Closed Mon
Guggenheim Museum Frank Lloyd Wright's Designs for the Guggenheim Museum. Ends May 20. The main museum is closed on Thurs, the SoHo site on Tues
NUREMBERG
Germanisches Nationalmuseum The Praun Kabinett: 130 German and Italian drawings ranging from Dürer to Caracci, recalling the art collection of a discerning 16th century Nuremberg merchant. Ends May 15. Closed Mon
PARIS
Grand Palais *The Sun and the Northern Star: the fascination which Louis XIV exercised in 18th century* Europe is reflected in the paintings, porcelain, furniture and silver imported by Gustav III of Sweden in an attempt to emulate the splendour of Versailles. Ends June 13. Closed Tues
Hôtel de Ville Nicolas de Staël: 70 paintings and 40 drawings from private collections, by the Russian-born, French-trained non-figurative artist who committed suicide in 1955. Ends June 19th. Closed Mon (Salle Saint-Jean, 3 rue de Lobau)
Mona Bismarck Foundation Early Italian Peoples: pottery, jewellery, bronze statuettes and arms, showing the diversified artistic expression of the inhabitants of central and southern Italy 3000-300 BC. Ends May 17. Closed Sun and Mon (34 quai de New York)
Louvre Egypt's Role in Western Art 1730-1930. Ends April 18. Closed Tues
Petit Palais Art of the Tainos Sculptors: 85 pre-Columbian masterworks in stone or wood. Ends May 29. Closed Mon
Centre Georges Pompidou The City, Art and Architecture in Europe 1870-1993. Ends May 9. Closed Tues
Institut du Monde Arabe Syria, Memory and Civilisation: this well-preserved didactic exhibition takes us from the Stone Age to the flowering of city states, from Hellenistic times to Byzantium and Islam. Ends April 30. Closed Mon (1 rue des Fossés Saint-Bernard)
PRAGUE
Prague Castle Riding School Czech Modernist Art 1890-1918: *a survey of the evolution of Czech art from the turn of the century* to Cubism. Ends May 23. Georg Flegel (1566-1638): retrospective of one of Europe's earliest specialised still-life painters. Ends May 8. Closed Mon
Kinsky Palace Fairy-tale Motifs in Czech Art around 1900: the exhibition shows that fairy-tale illustration was not just an accompaniment to the text, but a medium for the human dream of the mystery of life and triumph of good. Ends May 22. Architecture of the 1950s: 100 plans, models, photographs and drawings recalling the style of Socialist Realism. Ends May 22. Closed Mon
STUTTGART
Staatsgalerie Picasso: a rare showing of 400 prints from a private collection, including portraits, still-lifes and many other themes. Ends June 19. Weisskunig: 250 woodcuts chronicling the era of the late 15th century Hapsburg emperor, Maximilian I. Ends May 1. Closed Mon
VENICE
Chiesa San Bartolomeo Tintoretto: 15 religious paintings from Venetian churches. Ends May 1. Daily
Palazzo Grassi Renaissance Architecture from Brunelleschi to Michelangelo: 250 works from European and American public collections. Ends Nov 6. Daily
WASHINGTON
National Gallery of Art Egon Schiele: 70 works by the leading figure of Austrian Expressionism. Ends April 24. Ruth Benedict Collection: 78 prints and drawings by Rembrandt, Canaletto, Tiepolo, Moore and others. Ends June 12. Hans Hemling's St John the Baptist and St Veronica: two panels by the late 15th century painter from Bruges. Ends May 15. Ornament in European Graphic Art 1300-1800: works by Watteau, Dürer, Piranesi and others. Ends Aug 21. Daily
Arthur M. Sackler Gallery Korean Arts of the 18th Century. Ends May 15. Daily
National Museum of American Art Thomas Cole: 70 works by the father of the Hudson River school of painting. Ends Aug 7. Daily

The axemen slumber

UK public spending is being curbed. Or is it, asks James Blitz

A year ago, UK government ministers were promising a furious fight to cut public expenditure any way they could. What happened to this much-heralded review of the welfare state?

Last April, as official forecasts projected a public sector borrowing requirement of £50bn for 1993-94, the Treasury announced one set of Budget tax rises and prepared to unveil another in November. Departments were told to curb running costs and pay levels, and in November's Budget, which combined tax and spending decisions for the first time, a total of about £15bn was lopped off the spending commitments of Whitehall departments for the three financial years starting 1994-95.

But the ambitions of Mr John Major's government did not stop at a one-off balancing of the books. It launched a campaign to reverse the growth in public spending over the longer term, with "fundamental expenditure reviews" of departmental spending that would go well beyond traditional attempts to match revenue and expenditure.

The reviews, announced with panache by Mr Michael Portillo, chief secretary to the Treasury, would think the unthinkable about departmental policies, starting with the departments of social security, education and health, and the Home Office.

Their task was to test whether a particular programme should remain the state's responsibility and whether waste could be squeezed. The goal, as Mr Peter Lilley, the social security secretary, put it, was to ensure that the growth in the welfare state did not outpace the nation's ability to pay for it.

One year on, the review system is waning. No conclusions have been published and few ministers talk about the process. There is a rolling programme of departments under scrutiny – employment, transport, and trade and industry were among those ministries added this year.

But this week, as cabinet ministers held their first meeting of the current spending round, Treasury officials warned that public spending would still easily overshoot projections made for the current financial year. Mr Norman Lamont, the former chancellor who helped set up the reviews, speaks as if they have already been buried, saying "they should not be forgotten". And rightwing Tory backbenchers believe the government has lost its willingness to use the reviews to cut deep into public spending.

"There is a feeling among colleagues that the reviews have run out of steam," says one Tory backbencher. "If you look for where the cuts in spending came in the last Budget, they were in holding down running costs and public sector pay. There weren't enough signs that the need for services was being questioned."

Ministers take pride in some aspects of the review process. They claim that the review of the social security department is playing a significant role in containing the long-term growth of an £80bn annual budget. Legislation next year to replace unemployment benefit with a "jobseekers allowance", will help social security officials target benefits more precisely. So too will the replacement of invalidity benefit with incapacity benefit (bringing a more objective test of applicants' fitness) and the abolition of the subsidy paid to large companies to cover the cost of statutory sick pay.

"These reforms were already in our sights," says a Treasury official. "But we had not got them worked out properly, certainly not to the extent that they would yield so much to the Exchequer. The review took these ideas and worked them through in full."

But it is far less clear what has been achieved elsewhere. The education review has encouraged a shift from student grants to loans; the Home Office review has studied whether private finance could be used to help build prisons – a move that found its way into recent proposals by Mr Michael Howard, the home secretary. But both these examples represent an extension of existing policies, not radical departures. And many areas of heavy spending appear untouched – for instance, the National Health Service drugs budget.

As the Treasury official explains, many of the ideas in the reviews "have helped us to be more demanding over running costs rather than producing identifiable policy changes".

Why has the impact been so variable? Partly it is because the reviews are led by the department concerned. Treasury officials on review steering groups can insist that radical, cost-saving options are studied. But departments are not forced to meet pre-set targets and can approach the reviews in their own way.

Results, therefore, depend on the political outlook and skills of the cabinet minister heading each department. As a Thatcherite minister with a clear cost-cutting agenda, Mr Lilley has been keener on securing results. But elsewhere the Treasury has met obstacles from departments reluctant to force difficult measures through a House of Commons where the government has a slim majority. Mr Lilley himself has encountered problems, for instance, over the operation of the Child Support Agency, which is intended to cut the cost of state support for single parents.

What can realistically be expected from the reviews over the coming year? There are some obvious targets: the Treasury is scrutinising the cost of running Britain's courts, looking for ways to reduce the time spent in handling divorce petitions, civil liability cases and insurance claims. A job-saving merger of Inland Revenue and Customs and Excise operations is being considered. But these budgets make up a small part of the overall spending cake.

Whether more sweeping cuts can be achieved in this November's Budget, or over coming years, will depend on the determination of Mr Kenneth Clarke, the chancellor, to push his cabinet colleagues into renewing their commitment to reduce public spending.

In a recent speech, Mr Clarke said he was seeking a tough spending round this year, and threw his weight behind the reviews.

With speculation about a leadership contest in the autumn, the centre-left Mr Clarke may be appealing for support from rightwing Tory backbenchers. But the chancellor also knows that the fragility of the economic recovery means he cannot loosen his grip on public spending – particularly if he is looking for tax cuts before the next general election.

Those who believe the UK's public spending has spun out of control must hope that the prize of tax reductions will concentrate the minds of ministers and officials, as they scrutinise the minutiae of departmental programmes.

Joe Rogaly

Lead not into temptation

Now that spring has come I remain undisturbed by news that some chief executive or other is taking home sterling or dollars in sacksful. Most people do not receive seven- or even six-figure salaries, but that is no reason to envy those who do. Some of them deserve it. Good luck to them. Yet high pay is becoming a political issue. Last week The Sun ran a spread on the "10 greediest bosses", with pictures. The captions contained the tabloid's calculations of the villains' compensation packages, broken down into comprehensible weekly amounts. The usual suspects were there – Mr Derek Hunt, chairman of MFI (£31,423 a week); Sir Paul Girolami of Glaxo (£27,744); Mr Mick Newmarch of the Prudential (£13,865) and so on. Mr Rupert Murdoch, proprietor, was absent from this little gallery.

The chancellor of the exchequer, who earns about a tenth of a Newmarch, disapproves of some of the large executive salaries paid by British companies. He has expressed the wish that more business leaders would show "a decent level of restraint". The prime minister, questioned in the Commons, concurred, but added that the subject is not a matter for the government. This is "a free capitalist country in which companies determine their wages", he said. When Lady Thatcher had his job, she also supported voluntary limits. That is clearly as far as the present Conservative government will go.

It may not be far enough. Average incomes are increasing slowly, if at all. Most employees worry about losing their jobs. This early post-recessionary atmosphere is not one in which it is comfortable for highly rewarded CEOs to take the salary and the bonus, cash in the options, and run. US President Bill Clinton demonstrated during his 1991 campaign that politicians can win votes by attacking what seem to be over-generous executive salaries. There may even be an advantage in promising tax increases at the very top. The difficulty comes when the election is over. Congress has voted to put a $1m a year ceiling on corporate tax deductions for executive remuneration. The reaction from the tax-avoidance industry has been disappointment that the provision is so easy to circumvent. It spoils the fun. You do not need to use stock options to get around the $1m cap. Playing with definitions of an incentive bonus scheme will suffice.

The current atmosphere is not one in which it is comfortable for CEOs to take the salary and the bonus, cash in the options, and run

It would be foolish to attempt a similar restriction in Britain. Some employees are almost literally worth their weight in gold. Mr Peter Wood (£355,253 a week in Sun money) created Direct Line, now the insurance division of the Royal Bank of Scotland. No Peter Wood, no Direct Line. Everyone in financial services knows of this or that dealer whose contribution is as unique as that of a named pop star to the entertainment business. Specialists, or those of exceptional ability who work exceptionally hard, deserve commensurate rewards. The undeserving cases are, however, both obvious and sad. We can all think of certain well-known former nationalised industry flacks who privatised their salaries when their enterprises were sold off and they became chauffeur-driven executives. Have they no sense of decorum?

There is a theoretical curb on such behaviour in quoted companies. The Cadbury code on corporate governance provides for remuneration committees of non-executive directors. These are supposed to keep the managers honest. In fact they are probably doing more harm than good, according to Mr Stanley Wright, a former civil servant who has spent much of his career in the City. His case is made in a pamphlet published by the Social Market Foundation* yesterday. Remuneration committees, he says, "are confronted with confusing surveys, largely prepared by 'human resources' or 'management selection' firms, whose only emphatic messages are that the trend is strongly upwards and that every class of benefit is becoming 'normal'."

Mr Wright approaches management theory in much the same way as public choice theorists analyse the behaviour of officials. Executives, hirelings of the shareholders, think they own the companies they are paid to manage. Self-interest motivates everyone. Headhunters prosper when they persuade boards that there is an international market for overpaid generalists; flattered managers do not take many lunches to be convinced. As Adam Smith, quoted by Mr Wright, said: "The directors of joint stock companies being the managers rather of other people's money than of their own, it cannot well be expected that they should watch over it with the same anxious vigilance with which the partners in a private copartnery frequently watch over their own." So what else is new?

Quite a lot, if Mr Wright has his way. He would have each director's remuneration and benefits published in greater detail than Cadbury suggests. This would be enforced by law, not a voluntary code. Directors should be re-elected by the shareholders every two years. The maximum legal compensation for unexpired contracts should be cut from five years to two, rather than the three in the Cadbury code. That would limit failed CEOs' termination pay-offs. Non-executives should be able to report directly to the shareholders, and to comment on directors' remuneration for the current year. To encourage shareholders to use this additional power, dividends should not be paid unless votes representing at least 75 per cent of the shares have been cast on all resolutions at an annual general meeting.

There are many such recommendations. They all shift the balance of power towards institutions as responsible shareholders. Mr Wright rejects both the German bank/stakeholder system, and the Japanese consensual model as either out-of-date or alien to the Anglo-Saxon culture. He regards the notion of empowering more individual shareholders as a "romantic muddle". He would tighten takeover rules. That would curb the temptation to grow by acquisition, which, he argues, rarely benefits the buying companies' shareholders. In sum, his proposition is that "a powerful body of institutional shareholders has become an essential for shareholder sovereignty". He may be on to something. If the government does not perceive the need for thinking about his argument, the opposition might. One day, perhaps, Labour will awaken from its long sleep.

*Two Cheers for the Institutions. SMF, 20 Queen Anne's Gate, London SW1H 9AA, £10

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Tecs: not so easy, not so bad

From Mr Gregory Hyland.

Sir, Lisa Wood has highlighted several key issues in her article on training and enterprise councils ("Carnage of chiefs in Tecs battle", April 13 UK edition, April 15 international). I see none of the existing Tec chief executives was asked to comment, and neither were the 35 who have left. Not really surprising, since there is no shortage of people who feel free to point out how Tecs could be run better, without at the same time having the troublesome need to have tried it out for themselves.

The issues are far more complex than your article suggests, and the problems of Oldham Tec cannot be generalised across the Tec system. Not all those who have departed were pushed out. In my own case I resigned because I felt too much time was spent on negotiating arcane details with civil servants, and not enough on getting the job done. In case that sounds too noble, I also earn significantly more in my new role. Others left for different reasons. Does the headcount include those chief executives who died in post, or those who had to bow out with nervous frustration?

Make no mistake, the job to be done by Tecs is formidable. They are attempting to reverse more than a century of national economic decline, and to combat deeply entrenched positions. The weight of fire implicit in this task falls on the shoulders of the Tec chief executive, and it is one of the most demanding jobs around. But it is wrong to suggest that success or failure rests on the chief executive alone. Tecs need to move into a more sophisticated and effective mode, and the best Tec boards are starting with their own development.

Those who are doing the job of Tec chief executive now are to be greatly admired and deserve the strongest public support, but much more than an individual will be needed for success.

Gregory Hyland,
managing director,
The Condor Group,
PO Box 24,
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From Mr Roger Young.

Sir, Your report laments the departure of so many chief executives of the new Tecs. More than a third are said to have resigned or been sacked since Tecs were established four years ago. The high turnover is ascribed to failures in the recruitment policy of Tec boards.

Surely it is more worthy of comment that two-thirds of incumbents are still in their posts four years later? This degree of stability is rare within the private sector: the same edition of the paper notes the departure of two American retailers from the top of UK companies within eight and a half months and two and a half years. Our research, tracking the career moves of more than 1,000 managers over 10 years, has shown that the average span of a management job is close to three years: four years is a long time in management.

Roger Young,
director general,
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3rd Floor, 2 Savoy Court,
Strand,
London WC2R 0EZ

Nigeria firm in resolve against drug trafficking

From Alhaji Abubakar Alhaji

Sir, My attention has been drawn to your report, "Nigeria accused over drugs" (April 5), alleging official collusion in drug trafficking by some Nigerians.

The Nigeria High Commission wishes to state emphatically that, contrary to the erroneous impression contained in the report credited to Mr Robert Gelbard, the US assistant secretary of state for international narcotics affairs, the government of the Federal Republic of Nigeria has been steadfast in its determined effort to combat drug trafficking and has put in place adequate legal mechanisms stipulating stiff penalties with a view to deterring usage and trafficking of drugs. Indeed, in a summary of a report No 432 submitted to the US Congress, Nigeria was acknowledged and I quote: "The government (Nigeria) does not as a matter of policy facilitate the production or distribution of drugs or encourage money laundering."

Therefore, the statement by the said US official is, to say the least, most unfortunate since the government of Nigeria has readily co-operated with foreign governments and, in fact, extended assistance that has led to the apprehension and prosecution of many drug traffickers. It is, therefore, surprising that the same US department that commended Nigeria for arresting and turning over to American law enforcement authorities some suspected drug traffickers wanted in the US should now, for political reasons, turn around to make unsubstantiated allegations against the government.

It should be recalled that, when the government of Nigeria demonstrated its abhorrence for drug trafficking by imposing capital punishment as a sanction for such offences, it had to rescind that decision following an international outcry.

Nevertheless, I would like to state for the benefit of any doubting Thomases that the government of Nigeria remains open to suggestions from friendly governments and stands ready to co-operate with all and sundry on ways and means to combat the global drug menace.

Alhaji Abubakar Alhaji
(Saradauna of Sokoto),
High Commissioner,
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9 Northumberland Avenue,
London WC2N 5BX

Obsession not shared

From Mr Osman Streater.

Sir, Some of us – but not, it would seem, your leader writer ("Follow the Fed", April 14) – think a monument should be erected to the unknown journalist who recently gave us the phrase "inflation nutter" to describe the obsessive tendencies of people such as the governor of the Bank of England.

The phrase also applies to the former unlamented chancellor of the exchequer who opined that unemployment, bankruptcy and repossession of homes was "a price well worth paying" for reduced inflation. Perhaps it even applies to the prime minister, who may soon be discovering what the British electorate thinks of his view that "if it isn't hurting, it isn't working".

So you should not be surprised to find that your statement that "the latest step towards greater central bank autonomy is welcome" is not universally shared, even among people who have managed to hang on to house, home and job. Instead, how about compulsory resignation for unelected governors, to be enforced the moment interest rates are increased by a total of one percentage point during their term of office?

Osman Streater,
Savile Club,
69 Brook Street,
London W1Y 2ER

Gummer policies will not improve urban life

From Mr Paul Orchard-Lisle.

Sir, John Gummer, the secretary of state for the environment, has made much of his intention to promote the town centre as the right place for new shopping developments. As a concept his thinking deserves support, but delivery is a separate matter.

He would have little to complain about if his ideas were to be defeated by the shopping public or by retailers. But it is his own department and his neighbours at the Department of Transport whose policies are the most likely to destroy his vision.

Mr Gummer's difficulties lie in access to markets. High Street retailers and shopping centres must compete for consumers' spending power – the most accessible and pleasant will be the winner.

That is the crux of the problem. The Department of Transport has no money for big road initiatives in town centres, and the Department of the Environment says that money collected for the uniform business rate will not be returned to the local authorities to enable them to improve shopping environments, facilities such as car parking, or public transport networks.

On this basis Mr Gummer's policies should be seen for what they are – protection of the countryside and not the advancement of urban life.

Paul Orchard-Lisle,
senior partner,
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Quality standard good discipline

From Mr Richard Hasler.

Sir, As a quality management consultant dealing with a large number of small professional practices, I agree with many of the concerns expressed in your article, "Seeking credibility for quality standards" (April 12). It is a fact that many small firms are being forced by their clients to comply with BS 5750, and of course they will be looking to achieve certification as simply and quickly as they can.

However, almost without exception, our clients have found that the discipline imposed by formalising procedures and the feed-back and review stipulated by the standard has led to improvements to internal management efficiency and to the quality of service being provided.

Richard Hasler,
Hasler:Collins Partnership,
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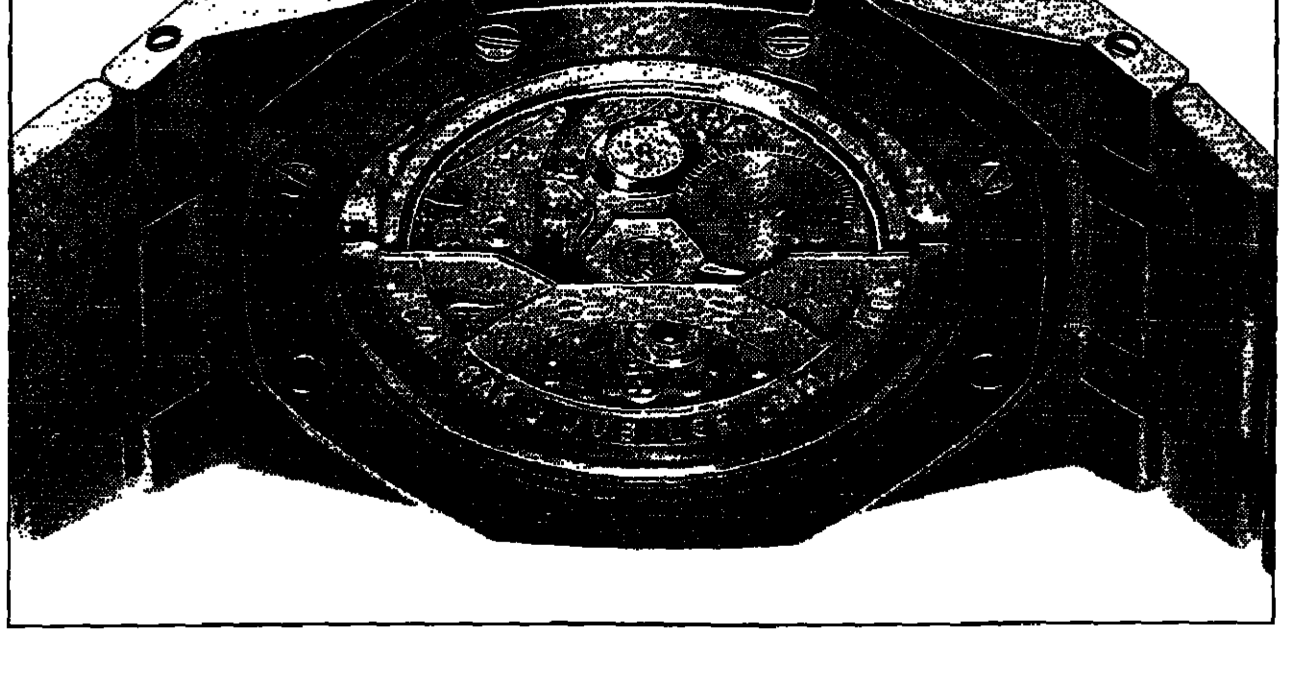

FINANCIAL TIMES
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Sizing up the watchdogs

The inherent conflict between the interests of shareholders and consumers in privatised utilities makes it inevitable that there will be a continual debate about regulation. It is, at present in Britain, a rather noisier debate than usual. Not only have some utilities been calling for a radical overhaul of the regulatory regime; two leading institutional investors, Prudential and Barclays de Zoete Wedd Investment Management, are pressing water companies to appeal to the Monopolies and Mergers Commission if their regulator's new price limits turn out to be tough. Sir Bryan Carsberg, director-general of fair trading, has now stepped in with a warning against over-ambitious reform of the system. On the whole, Sir Bryan has the better arguments.

While shareholders and consumers have both done well out of the utilities since privatisation, it is the shareholders who have had the better deal. The government was insufficiently ambitious, early on, in introducing competition into hitherto monopolistic industries; pricing formulae did not take into account the full scope for efficiency gains. Now that the pricing arrangements have been tightened and increased competition brought to bear, both management and investors feel uncomfortable. That is precisely what ought to be happening. There is no reason why customers should, in the words of Mr Ian Byatt of Ofwat, find themselves on 'an endless price escalator'. Nor should the utilities be an engine of inflation in the wider economy.

Regulatory improvement

That is not to say that there is no room for regulatory improvement. The regulators have frequently been accused of a lack of openness in their deliberations over the industries' affairs. That, admittedly, could not be said of Mr Byatt in his protracted and well publicised review of prices. Indeed institutional investors would not be in a position to question his methodology if it had been otherwise. But there remains a wider question about formalising procedures for disclosure and scrutiny of the regulatory process.

Mr John Baker, chief executive of National Power, has argued in the Financial Times for a clearer definition of the role and objectives of regulation, together with a quick appeals procedure to an ad hoc panel of the MMC. He and others have called for the replacement of a single regulator with a tribunal of between three and five members, along with the creation of a single joint utilities regulator and a monitoring process to measure regulatory performance against goals.

Greater transparency

It is hard to disagree with those proposals that call for transparency. In capital intensive industries with long investment payback periods there is a premium on predictability and the reduction of regulatory risk. Whether wider upheavals are called for is the more contentious issue.

In practice the supposed 'cult of personality' among the watchdogs, which was probably necessary in the early days of privatisation, when powerful industrial barons were reluctant to submit to a new regulatory regime, is on the wane. It is not obvious that there would be great synergy in combining the regulation of industries as different as telecommunications and water. A fruitful dialogue between the regulators already exists; and there is a risk that an element of competition between the different watchdogs, a benefit of the present diversity, would be lost.

Moreover, an all-powerful, high-profile regulatory giant might be more susceptible to political pressure than the present plurality of watchdogs. The same worry would arise with tribunals if their membership was open to the representatives of specific interests. A fast track appeals procedure to the MMC has more appeal. But the danger here might be that the present trench warfare between conflicting interests would become institutionalised in a destructive fashion.

On balance the present system has worked surprisingly well, avoiding the standard pitfalls of regulatory capture and excessive legalism of the kind that dogs US utilities regulation. A steady evolution thus looks more desirable at this stage than a radical overhaul. But the legitimacy of the evolutionary approach would be enhanced by a regular review of the regulatory process. The Office of Fair Trading is the appropriate body for this task.

Ukraine adrift

The results of the Ukrainian elections could be worse, but not much. There has appeared no Ukrainian Zhirinovsky who would lead the country in a quest for national purity and inevitable war with Russia. The communists and their allies are not likely to be a majority in the parliament after a third round of voting. Conflicts over the Black Sea Fleet and the Crimean peninsula are so far localised and are being managed, albeit with many alarms.

But the results have shown a country divided and confused over several central issues. Where the previous parliament and presidency were unable to agree on anything and reluctant to confront each other, the new assembly threatens to make matters significantly worse. The country lacks a modern constitution, relying on a patched-up Soviet document which leaves moot the vital matter of division of powers. President Leonid Kravchuk, who over the past three years has at least provided some stability and continuity – at the cost of an insupportable inertia on economic or any other reform – has dithered fatally over his future intentions. He is now demanding a strong presidency as his condition for standing for re-election, a condition unlikely to be granted him by the new Rada.

Ukraine's disputes with Russia – over the Black Sea Fleet, the status of Crimea, the supply of Russian gas and the payment of Ukraine's vast debt to Russia – are coming to a head at the same time as the parliamentary results are coming in. All demand very tough decisions from a power structure now even less capable of making them. The dominant view in the parliament probably favours closer ties with Russia and an attempt to revive the old command economy. But the west of the country has returned a number of deputies who are intransigently hostile to such a strategy and who could become not just a fierce opposition but a prey to extreme, even violent strategies.

Complete collapse

Economics overshadows everything. In Ukraine the official figures show complete collapse. Even correcting these with the unreported and apparently quite large "black" sector, the economy is in a crisis so deep that any effort to reform it will not produce a significant improvement in miserable general living standards for some years to come – an approach which has no political champion.

Greater priority

Is there anything the west can do about all this? Only at the edges. The trilateral agreement between Russia, Ukraine and the US on the despatch to Russia of nuclear weapons stationed in Ukraine in return for enriched Russian uranium has so far worked well, and might provide a model for the solution of other conflicts. The newly evident concern by western countries, particularly the US, to give Ukraine greater priority in assistance, diluting the former policy of "Russia first", should be continued. The international financial institutions, which have been engaged in largely fruitless dialogues with the Ukrainian authorities for more than two years, are clearly anxious to lend if they can find a glimmer of hope for continued reforms like that which the International Monetary Fund found in Russia. But with these important if limited exceptions, foreigners can only sit and watch.

The most important outside determinant of Ukraine's future will be Russia. So far, it has been relatively restrained – always willing to strike an agreement and avert a showdown. Even this week, with tensions running high over the Black Sea fleet, the response has been to send a senior delegation for talks in Kiev.

Russia would be wise to continue to show restraint. However inflamed local tensions become, Moscow has a strong interest in preventing them from spreading and in making an accommodation with its much weaker neighbour. This means finding mechanisms to deal with the debt and a workable compromise on the Black Sea fleet. Above all, it means not giving encouragement to those on the Crimean peninsula who agitate for union with Russia. It may be a tall order for a harassed nation, but unless it is filled, the danger of outright conflict, with incalculable consequences for Europe, can only grow.

A fortress would be no defence

Europe must choose decentralisation and liberal trade, not harmonisation and protection, argues **Martin Wolf**

"Can we [west Europeans] take it for granted that we will remain sufficient leaders in a sufficient number of sectors to survive – in the face of countries with populations infinitely larger than ours and with levels of social protection infinitely smaller? I say we should leave this to the market, but only up to a certain point. What is the market? It is the law of the jungle, the law of nature. And what is civilisation? It is the struggle against nature."

Edouard Balladur, prime minister of France, Financial Times, December 31 1993.

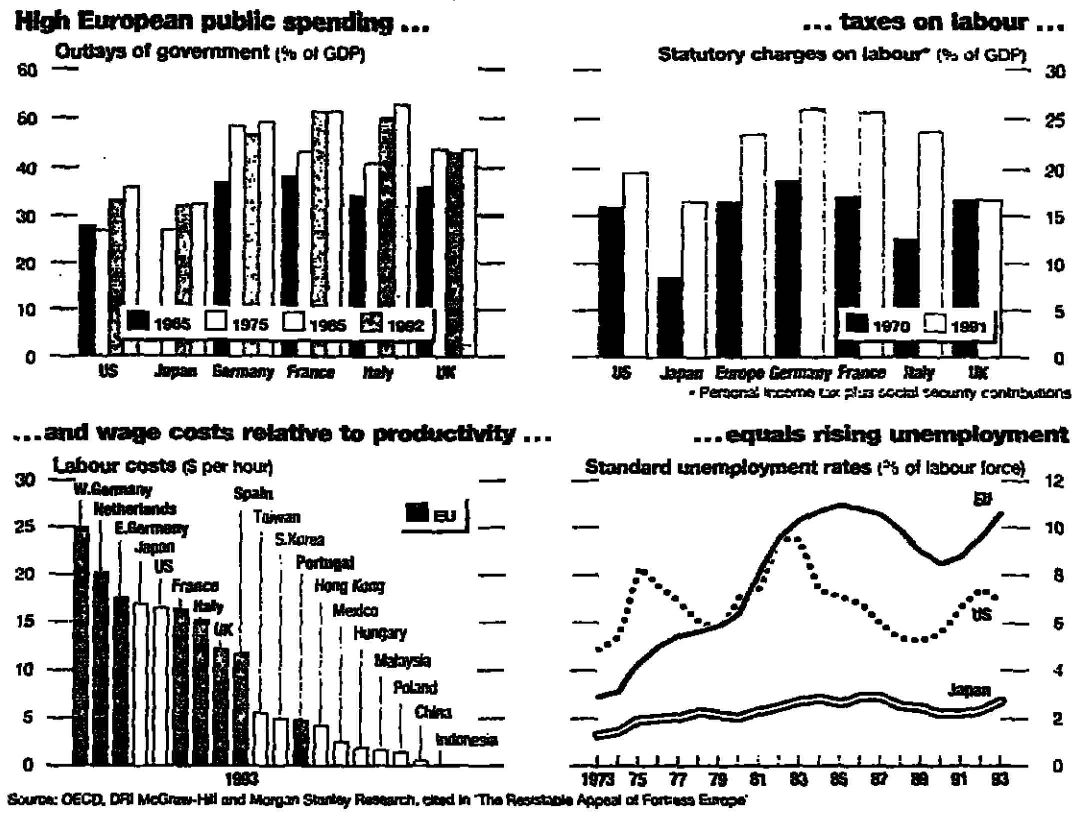
Mr Balladur's very French perspective on the relation between market and state is wrong. It is wrong, partly because the market is a sophisticated mechanism, whose functioning depends on civilised social restraints. If anything, it is the state that needs to be civilised. In the European Union, treaty articles enshrining principles of competition were the chosen way to contain the destructive proclivities of European nation states. To see what happens when states try to "civilise" the market, look at the common agricultural policy, which has created a trading jungle.

Mr Balladur's view is more than wrong. It is also dangerous. The collapse of communism offers a unique opportunity to develop a prosperous and liberal global economy. As the world's largest single trading entity, the EU must play a central role in securing this opportunity. The question is whether it will. If it pays too much attention to the fears voiced by Mr Balladur, it will not.

Historically, the EU's approach to international trade has been a compromise which can best be labelled "managed liberalism". In this, the Union has largely followed the US, combining large reductions in average tariffs with the introduction of non-tariff barriers and reliance on measures of contingent protection, such as anti-dumping.

The special feature of US trade policy is self-righteous pursuit of "fairness"; in EU policy, it has been an addiction to discrimination. To trade with the EU on a most-favoured basis is, in fact, to be among its least favoured partners. Fortunately, the damage of discrimination has been limited by EU participation in major international trade negotiations, the most recent being the Uruguay Round, finalised in Marrakesh today. The agreement with the US to liberalise public procurement announced this week is another example.

That is the past. What of the future? Unhappily, powerful forces may push the post-Maastricht-treaty EU in a more protectionist direction. There are three closely related pressures: a desire to contain the forces of policy competition among states; growing pressure from a dynamic world economy on the faltering European one; and the aim of cementing a nascent European political identity.



Source: OECD, DRI McGraw-Hill and Morgan Stanley Research, cited in 'The Resistible Appeal of Fortress Europe'

European states impose relatively high taxes and tight regulations on their economies. The share of public spending in gross domestic product in France or Germany is some 20 percentage points higher than in Japan, for example. Similarly, direct taxation of labour in these two states is some 25 per cent of GDP, against 15 per cent in Japan. High taxes and stiff regulations are threatened by free movement of goods, services and factors of production. This is why regulatory harmonisation was a theme of the Maastricht treaty. Countries with high taxes and regulatory standards insist they be adopted by poor countries with which they trade freely. The latter then demand transfers to compensate them for the costs they are required to bear. But the logic demanding internal harmonisation entails either the extension of that principle worldwide or, failing that, plain protection.

Liberal trade also multiplies the costs and visibility of policy-induced distortions. In the EU, the most important such distortions lie in the labour market. Unemployment has been rising cycle-by-cycle over two decades. Worse, between 1960 and 1993, employment grew by almost 90 per cent in North America, by well over 40 per cent in Japan and by a mere 10 per cent in the EU. Worse still, while 80 per cent of employment growth in North America over the past two decades has been in the private sector, two-thirds of what little growth there has been in the EU has been in the public sector. Many of these are not jobs. They are transfers. Growing supplies of labour-intensive manufactures threaten to worsen the EU's employment problem.

Finally, there is the aim of political integration. The European states are divided by language, culture and historical sympathies. How are they to be united? Historically, mercantilism – the combination of internal free trade with protection at the borders – helped overcome similar barriers in the emerging European nation states. Nothing would be more natural than for a nascent European super-state to enhance integration by underplaying internal differences and emphasising external ones. This could be justified by the need to regain economic sovereignty allegedly lost by individual member states.

How are such pressures to be resisted? Partly by argument. The starting point must be the costs of protection. Perhaps the most significant is the damage to export performance done by inward-looking liberalisation. Between 1980 and 1991 the value of the EU's internal trade in manufactures rose 167 per cent, but its external exports increased only by 79 per cent, far behind the increases of 129 per cent achieved by the US and 146 per cent by Japan.

It is no less important to understand that harmonisation is not a precondition for liberal trade. Rather, diversity should be welcomed as a potential source of gains. This is partly because competition among different regulatory regimes constrains the state by making the effects of its interventions more transparent. But diversity is also a reflection of differences among countries in their wealth, resources and values.

Even the concern about low-wage labour must be kept in perspective. Trade has had less effect on the earnings of the unskilled than technology. More important, protection is an ultimately self-defeating way of preserving unskilled labour's earnings. Far better would be a mixture of more investment in education with subsidies to – or less taxation of – unskilled labour.

A Europe of harmonisation, of regulation, of centralised political decision-making is likely to become a protectionist Europe. The logic urging harmonisation of labour standards demands their worldwide extension. Policies leading to poor economic performance prompt a demand for protection at the border. Finally, political integration may demand reinforcement of a sense that Europeans are the embattled minority described by Mr Balladur.

The EU is economically valuable because it has forced member states to follow more liberal economic policies. Its large economic size is not itself an important source of gain, as the contrast between the high incomes per head of tiny Singapore or Taiwan with the poverty of China suggests. Size does not justify self-sufficiency. Europe's choices must be decentralisation and liberal trade, not harmonisation and protectionism. On that depends the future of its struggling economy. On that, too, depend the prospects for harmonious economic development worldwide.

The Resistible Appeal of Fortress Europe, by Martin Wolf, is published jointly today by the Centre for Policy Studies, 52 Rochester Row, London SW1P 1JU, and the American Enterprise Institute for Public Policy Research, 1150 Seventeenth Street, N.W., Washington DC 20036.

Breaking the spiral of corruption

PERSONAL VIEW

Transnational bribery in pursuit of arms deals, large construction projects and even consultancy contracts is a growing phenomenon in the global economy. In the UK there has been the furore triggered by allegations about the Pergau Dam affair. Rather less attention, though, was paid in 1993 to the "Foxley" case, in which an official in the Ministry of Defence was found guilty of having accepted £1.5m in bribes (in 1984) from armaments companies in Italy, Germany and Norway.

In Europe until the 1990s indirect or direct corruption of officials and politicians in the south by companies in the north was considered a part of the "cultural norm" of the south.

Some companies avoided the phenomenon by insisting on a "no bribes" internal code of conduct; multilateral development institutions chose to believe that the bidding procedures they required client countries in the south to use were foolproof.

Such attitudes are bolstered throughout the European Union by provision for all transnational bribes to be tax deductible when shown as necessary expenditure for the generation of business, and by the legal doctrine of "extra territoriality", by which national citizens cannot be pursued for paying bribes in other countries. Yet, nationally, nearly all EU member states have made bribery (both of public officials and between companies) a criminal activity for most of this century. In contrast, the US passed tough legislation placing transnational bribery on the same criminal footing as domestic bribery in 1977.

This double-think in the EU (and Japan) is no longer tenable. First, the global market regulated by the General Agreement on Tariffs and Trade requires a convergence of ethical and business standards if its "fair trade" assumptions are to be sustained.

Second, the 1993 impeachments of the presidents of Venezuela and Brazil and the political crises of Japan and Italy have shown the potentially disastrous effect of widespread corruption on political and economic stability.

Third, the growth of multi-party democracies in former one-party states has placed the issue high on the political agenda in many countries of the south and the "east". Finally, the link between corruption and non-development, particularly in Africa, is no longer contestable.

The key, as with drugs trafficking, is to recognise business bribery as an international crime

What can be done? The key, as with drugs trafficking, is to recognise business bribery as an international crime. Transnational bribers could then be pursued either in the courts of their home country, or in the courts of the country where the briber sought to influence decision making, or in a third country where the bribe may have been paid. International conventions – as with the 1993 Council of Europe convention on money laundering – are designed to ensure the possibility of global action and such a convention was prepared by a sub-committee of the Economic and Social Council of the UN in 1979, but never submitted to the General Assembly. It should be revived.

More immediately, OECD governments should support tough measures in the current OECD working party on illicit practices which will meet later this month to make a series of recommendations to ministers of finance. The EU members of the OECD, strengthened by the judicial provisions of the Maastricht Treaty, could move rapidly to legislate against transnational bribery within the EU and negotiate mutual agreements with other countries. The leaders of the Group of Seven leading industrialised countries, meeting in June, could pledge their commitment to a UN and/or Gatt convention. Multilateral and bilateral aid officials could standardise a global code of conduct for aid contractors.

All of these measures, or a combination of some of them, would make it easier for reform-minded political leaders to take an effective stand. There is currently an assumption that no large deal can be completed in many countries of the south without a bribe being paid. This assumption can only be broken with the co-operation of the north, which reform-minded leaders in the south are actively seeking.

Such co-operation is achievable, and at no cost in aid terms. In the medium term it would increase world gross domestic product by reducing the cost of many large investment projects by up to 25 per cent, without reducing the net return to international contractors. It would also be a significant step in the development of a global business ethic, a vital concomitant to a positive global business environment.

Laurence Cockcroft

The author is a board member of Transparency International, the Berlin-based anti-corruption organisation

OBSERVER

Not bossed about

■ Bewilderment in the wake of Lancer Boss's decline into receivership is nowhere greater than at the company's Spanish subsidiary Boss España. Employees at the factory in Barcelona complain they have been left not only in the dark but also without a boss. Their two senior managers, both British, have not been seen since the receivership decision on Friday. Thomas Gray, production director, and James English, financial chief, are reckoned to have done a bunk to the UK.

For want of any further instructions, the company's 180-strong workforce is dutifully carrying on producing trucks - while trying to talk to Grant Thornton. The receivers however maintain that the Spanish operation is not itself in administration, and that the UK company would like to establish a commercial relationship with Boss España as a separate entity. Only problem is, with Barcelona Boss remains bossless, who does Leighton Buzzard Boss deal with? Even the receiver had to admit that it was a "complex" situation.

Unfrocked

■ Strange stirrings at National Westminster Bank. Nearly 75 years after one of its predecessors, National Provincial, welcomed Coutts & Co, the Queen's bankers, into its fold, NatWest has decided to try and exploit one of the best brand names in private banking. David Went, the 47-year-old boss of NatWest's Ulster Bank, has been catapulted in above Ian Farnsworth, the sensible chief executive of Coutts & Co, and Jean-Pierre Cuoni, the ex-Citibanker running Coutts' international operations, to be the first ever group chief executive of Coutts. There is even talk that the new boy will not don the traditional frock coat, standard uniform for Coutts' managers for the last 300 years.

Dream house

■ Spotted in the accommodation to rent columns of The Eastern Daily Press: Little Snoring, 3-bed semi det house, sfch, garden, carport, £240 pcm. Ring Gotobed.

Who else?

Honk honk

■ Should HSBC shareholders be concerned about this week's defections from Midland Global Markets? Vib Baxi, who had made a lot of money for the bank's own account in last year's obligingly bullish fixed income markets and Gerry Reynolds, who was mysteriously put in his place as head of proprietary trading last December, have both packed their bags, destination unknown.

'I want to fund the Tory party'

There's been a wrangle about bonuses, but some in the City are convinced that there are some possible hefty losses too. MGM would hardly be alone if it had dropped a cent or two in the first quarter of this year, a time of extraordinary volatility ever since the Federal Reserve raised its rates. But clearing banks are not supposed to behave in quite the rash way hedge funds do. Whether or not Baxi and colleagues are have suffered what the rumour mongers suggest, people who earn bonuses on positions that subsequently turn sour, can expect unsympathetic glances from their palls.

The HSBC balance sheet has easily accommodated some spectacular losses in the past. But it might be worth shareholders raising the odd question at the annual meeting on May 27.

Burundi Bill

■ Of course, Bill Clinton would never say a bad word in public about Bob Krueger. Sure, the former senator from Texas, appointed to fill Lloyd Bentsen's seat, often voted against his president, though both are Democrats. True, Krueger got thrashed by Kay Bailey Hutchison last year, giving the Lone Star state far too Republican a look and the Senate a smaller Democratic majority. Such political adroitness is deserving of its own special rewards: thus Bob Krueger has just been nominated as the next US ambassador to Burundi.

Bolshie Boris

■ The man from Ivantheterribleograd – Vladimir Zhirinovsky – is under fire from Boris Fyodorov, Russia's pugnacious former finance minister. Fyodorov is renaming his 26-member 'December 12' parliamentary faction the 'Liberal Democratic Union' – not a million miles away from Vlad the impaler's 'Liberal Democratic Party'.

"Somebody has to challenge him," says Fyodorov, narked that Zhirinovsky's party name connotes values somewhat removed from its neo-fascist ideology. Boris hopes that by the 1996 elections voters may choose the Liberal Democratic Union – from confusion if not conviction.

Boris adds: "I'd love Zhirinovsky try to hit me," recalling Vlad's previous punch-ups, including one over his allegedly queue-jumping in the parliament's restaurant.

Zhirinovsky clearly espouses free market attitudes nowadays. In France yesterday, having lost his cap at a meeting of the Council of Europe, he advised the thief "not to sell it straight away, because the price of my hats will increase enormously in the near future."

Conductor choice

■ The privatisation of British Rail promises to spawn a whole new generation of excuses. Under the previous regime clear explanations were rarely given for things going wrong, thus avoiding the need to point the finger of blame at anyone in particular. No longer. When the 19.50 Waterloo to Portsmouth Harbour left a few minutes late the other night the "senior conductor" explained to passengers – now travelling courtesy of South West Trains – that the delay was due to the signalman [now employed by Railtrack] having made a mistake and let the 19.53 Bournemouth train out first.

FINANCIAL TIMES
Friday April 15 1994

Troops shell Tuzla and threaten UN forces

White House and Nato warn off Bosnian Serbs

By Edward Mortimer and Laura Silber in Zagreb

The Bosnian Serbs received stern warnings from the White House and Nato yesterday after troops threatened a UN compound near Sarajevo with a tank, and shelled the safe haven of Tuzla.

The UN said Serb forces moved in on French soldiers at a UN depot at Krivoglavci, just outside Sarajevo, and tried to take back heavy weapons surrendered in February as part of a deal to avert air strikes.

Nato officials said the shelling of Tuzla, seen as a direct challenge to the UN commander, General Sir Michael Rose, died down after US, British, French and Dutch aircraft buzzed the Serb positions.

The alliance also warned that it still had a mandate to make air strikes against heavy weapons in the Sarajevo area. Nato aircraft were in the air and ready to strike, one US official said.

President Bill Clinton said the Bosnian Serbs would be making a mistake if they treated the UN or Nato personnel as combatants. He accused them of trying to "leverage their position" by detaining UN staff in Serb-controlled territory.

The attack on Tuzla, a UN-designated safe area in north-eastern Bosnia, was a direct challenge to Gen Rose, who this week prompted Nato to carry out air strikes against the Serb forces attacking Gorazde, another safe haven.

The airport at Tuzla is an especially provocative target. Three weeks ago, the UN declared it open as a route for relief supplies to central Bosnia, but no aid flights have yet landed there because Serb forces insist on having their own monitors on the spot – a demand rejected by the Bosnian government.

Tuzla is the centre of the largest region of Bosnia still under government control.

In Belgrade, the local office of the United Nations High Commission for Refugees reported mounting harassment, with Molotov cocktails thrown at its premises and vandals slashing the tyres and smashing the windows of UNHCR vehicles.

The Belgrade office of the relief agency Unicef has also received bomb threats, and a UNHCR official was threatened with pistols as she was about to be interviewed by a western television team.

Lord Owen, the EU mediator, said yesterday that the shelling of Tuzla "can only be a direct provocation".

He was speaking on board a Ukrainian Yak 40 aircraft which was taking him and his UN colleague, Mr Thorvald Stoltenberg, back to UN headquarters in Zagreb. They were returning from talks with Mr Radovan Karadzic, the Bosnian Serb leader, in his mountain stronghold of Pale, and with Gen Rose in Sarajevo, where 4,317 UN troops and other personnel are encircled by Serb checkpoints.

The mediators themselves had considerable difficulty in reaching the airport from Sarajevo, as the Serbs have blocked the main road with containers, so that the party had to take a detour through the suburb of Dobrinja, where they were held up by a traffic jam of UN vehicles.

Shopping lists come in for new world trade body

By Frances Williams in Marrakesh

The 120-plus nations at the ministerial meeting of the General Agreement on Tariffs and Trade in Marrakesh have begun to set the agenda for future trade negotiations – even before the formal signing today of the Uruguay Round world trade accords.

After nearly eight years' labour on the Uruguay Round, ministers are presenting shopping lists for the new World Trade Organisation to be set up next year.

They are establishing one committee which will be charged with preparing items for the WTO's initial work programme, and another with a wide-ranging brief to examine links between trade and the environment.

This week's meeting highlights the preparatory committee's delicate task in striking a balance in the WTO's agenda between the interests of rich and poor nations, and in cutting the list to manageable proportions.

Pressure from industrialised countries, led by the US, to make worker rights a priority has antagonised developing countries and sparked calls for negotiations on many issues, from labour mobility to company law.

Arguing that rich nations stand to corner the lion's share of Uruguay Round benefits, developing countries this week raised an alternative agenda. Their ministers have urged discussion of labour mobility, restrictive business practices of multinational corporations, commodities trade and fluctuating exchange rates.

Developing countries also want stronger WTO mechanisms to help them expand export capacity and to compensate Round losers through aid and debt relief.

Meanwhile, the European Union, the US and others have proposed talks on competition policy. Japan wants regional trade blocs and investment rules on the agenda, and Italy wants to examine harmonisation of company and commercial law.

On trade and the environment, developing countries were eventually won over by assurances in the new committee's brief that they faced no threat from disguised protectionism under environmental cover.

Agenda takes shape, Page 8

THE LEX COLUMN

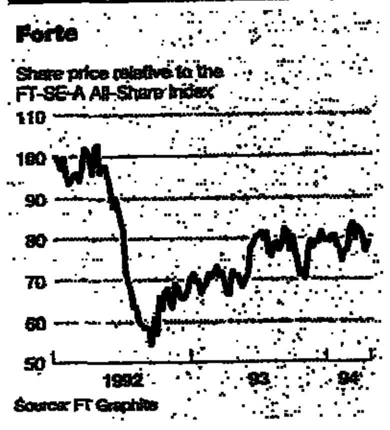
Hostage to fortune

Even allowing for the Bundesbank's fondness of wrong-footing financial markets, the timing of yesterday's discount rate cut is difficult to fathom. With money supply and inflation figures due next week, the central bank *appears to have made itself a hostage* to fortune. Perhaps the authorities already have an inkling of the likely data. Either way, the collapse of the Schneider property empire is a reminder of the pain still being suffered by German companies and banks. While there does not appear to be any systemic danger arising from the collapse, that may have been enough to swing the council behind a quarter-point cut.

The worry for financial markets accustomed to half-point cuts is that a smaller reduction might signal the beginning of the end. By setting a variable rate repurchase tender next week, the Bundesbank appears to be signalling that money market rates will drift lower for the time being. The 70 basis point gap between the money market repurchase and discount rates leaves plenty of room for that. If the central bank expects inflation to fall below 3 per cent in the second half of this year, real interest rates will rise without further action. Lower short rates will also be required to shepherd investors out along the yield curve, as the Bundesbank remains keen to do.

Such arguments point to a gently falling repurchase rate for some time yet. The reaction of the foreign exchange markets yesterday – the D-Mark actually strengthened against the dollar – suggests that the currency presents no obstacle.

FT-SE Index: 3131.7 (-14.1)



Forte

The good news from Forte is that trading has finally started to improve, at least in its London hotels where occupancy rates have risen and the bargain hunters are being squeezed out. The bad news is that there is a long way still to go before the company is lifted off interest cover of just 1.8 times. Even after last year's reduction, the dividend is still not covered by earnings before exceptional items. The annual results show the cash position remains tight. Indeed there would have been a substantial outflow in 1993-94 without the impact of disposals, lower capital spending and last year's enhanced scrip dividend.

Forte argues, probably rightly, that it can live with this situation a while longer. There is more recovery to come and the company has yet to reap the full benefits of its new management structure. Capital spending will have to rise this year, though, and that in turn will have to be financed by disposals. At least the write-down of its hotel portfolio, which is in striking contrast with Queens Moat's upwards revaluation, will add to its flexibility in selling surplus hotels. Forte could even afford to finance any Meridien deal with debt by ear-marking the proceeds from an eventual sale of its remaining minority stakes in Alpha Airports Group and Gardner Merchant.

But this still leaves the impression of living from hand to mouth. It requires an act of faith to believe that Forte will achieve a worthwhile return on assets or that it will trade its way out of debt. Having sold its cash-generative catering businesses, the group is more vulnerable. A historic multiple of more than 35 before exceptionals leaves no room for error.

Blue Circle

Blue Circle's results add further ballast to the argument that the company took the wrong route in the late 1980s by diversifying into home products. The vibrant profits growth in heavy building materials provides a marked contrast to the lacklustre progress made in home products, where operating margins are only half those attained elsewhere. The £11m burn mark resulting from Blue Circle's failed diversification into incineration equipment throws up a fresh embarrassment.

Not only has diversification dulled the group's recovery, it has also meant the company has missed opportunities to expand its international cement interests, slipping steadily down the global rankings over the past decade. Global scale is certainly not an absolute prerequisite for success. Local market dominance is perhaps a more critical determinant of profitability. But the strong performance of Blue Circle's cement businesses in Chile and Malaysia shows how it is actually rather good at finding fruitful expansion avenues overseas.

The relatively new management can hardly be blamed for past mistakes. Indeed, it now exhibits a commendable determination to make existing assets work harder. Volume and price rises for cement in the US and the UK should push profits strongly this year. The hope is that the cost-cutting efforts in home products should bear fruit thereafter. Perhaps that would be the moment to demerge the division altogether and refocus all efforts on doing what Blue Circle does best.

Axa

After yesterday's solid full-year figures, it might seem strange that Axa has underperformed the French equity market by 20 per cent in the last six months. The profits recovery at the Equitable of the US is stronger than expected when Axa bought its 49 per cent stake in 1991. In Europe, the cyclical upswing in insurance markets is starting to help. Since insurance premiums are still rising in France, and Axa's London market operation is only just climbing back into profit, the recovery has some way to run.

Yet by buying into the Equitable, Axa now generates 40 per cent of its premium income in the US. The impact of rising interest rates on the Equitable's life insurance business – and Donaldson Lufkin & Jenrette, the investment bank which contributed most of last year's US profits – is a reason for caution. The optimistic forecasts which pushed Axa's shares ahead last year have now been scaled back.

Besides, while stock and bond markets are falling, investors are probably more concerned with asset values than earnings. Last year's bull market in bonds more than offset a FFr4bn write-down in the value of Axa's property portfolio. But while the pain in property has now been taken, falling securities markets are still a threat. Until the shadow of a global bear market has been lifted, Axa will probably continue to trade at a substantial discount to net assets.

Virgin-Delta link-up offers UK lever on 'open skies'

By Paul Betts, Aerospace Correspondent, in London

The UK government is expected to use Virgin Atlantic's deal with Delta Air Lines as a lever to revive "open skies" negotiations with the US.

The US walked away from the talks in January after rejecting UK proposals for a gradual three-stage liberalisation of air services between the two countries. Washington insisted on immediate access for all US carriers into London's Heathrow airport.

But the partnership announced this week by Virgin and Delta, the third-biggest US carrier – which has been vigorously campaigning to gain access into Heathrow – appears to have strengthened Britain's hand in bringing the US back to the negotiating table.

Mr John MacGregor, UK transport secretary, is expected to hold preliminary talks with Mr Federico Peña, his US counterpart, during the next ten days to discuss the Virgin-Delta deal.

Both governments must approve the commercial partnership between Virgin and Delta, which would give the US carrier access to Heathrow through ticket code-sharing and seats-sale agreements with Virgin.

The UK is likely to insist that its approval for the code-sharing will hinge on resolving the broader issues in the stalled "open skies" negotiations between the two countries.

Mr MacGregor is also expected to make new proposals to the US to resolve the current deadlock in the talks.

The UK is seeking the relaxation of US restrictions on foreign ownership of US airlines as well as wider access into the US domestic market. It has so far not been prepared to open up immediate access to all US carriers into Heathrow, which under the existing regime can only be served by United Airlines and American Airlines.

British Airways wants to extend its existing code-sharing agreements with USAir, the financially troubled sixth-largest US carrier.

Virgin said last night it had had contacts with the UK government before announcing its deal with Delta, which in turn had discussions with Mr Peña.

"We feel very confident that the deal will be approved because it is in the interest of consumers as well as for both the US and UK airline industries," Mr Richard Branson, Virgin chief, said last night.

It said its reciprocal frequent-flyer programme agreement with Delta and an agreement to share airport facilities with its new US partner did not require government approval.

BA fare cuts, Page 9

Leipzig counts cost of Schneider fall

Continued from Page 1

In other cases, Mr Schneider approached former Jewish owners who had been forced to flee Nazi Germany before or during the second world war. One of them was the Bamberg family, now living in Canada, who had once owned a large clothes shop at the Königsbau, in the theatre quarter.

"Mr Bamberg had the right to get his property back," said another city official. "When Mr Schneider heard about this man returning, he offered Mr Bamberg a price which I think he found difficult to refuse - and I believe above the market rate at the time. The thing is that Mr Schneider then had to jack up the rents to cover the purchasing and renovation costs."

As Mr Schneider raised rents, prices in the property market, which went through a boom in 1991 and 1992, started to fall.

According to Jones Lang Wootton, which has 120,000 square metres of property on its books in Leipzig: "Top rents have come down from the peak achieved for short-term letting in 1991 to a more sustainable DM35-DM40 a square metre."

Bundesbank

Continued from Page 1

rates.

Mr Tietmeyer said there was no need to abandon the M3 measure of broad money supply as the central bank's most important indicator of medium-term inflationary developments.

The development of M3 would be studied carefully in the months ahead.

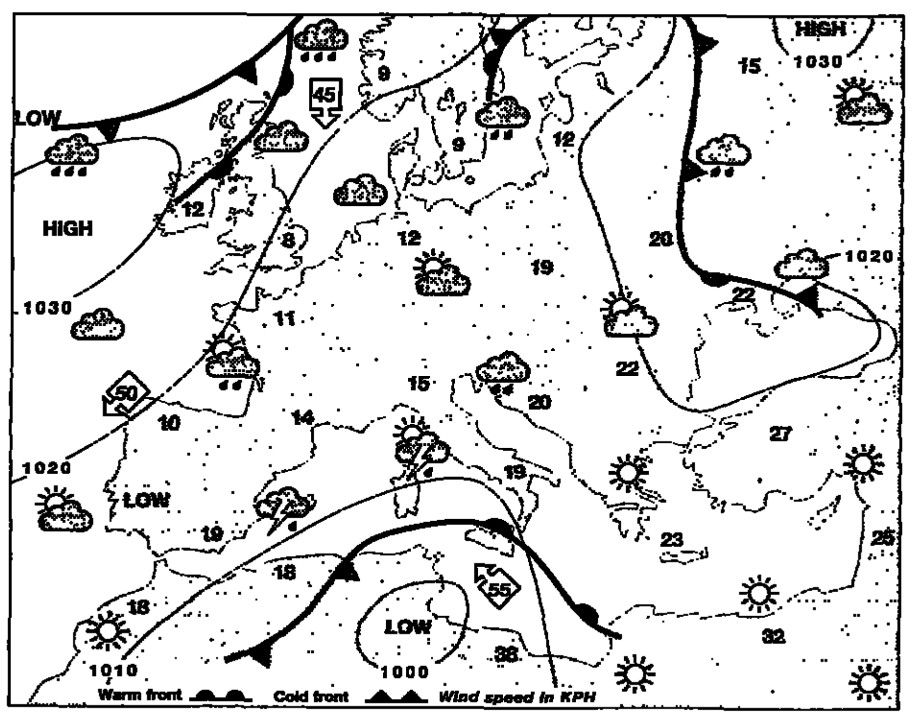
FT WEATHER GUIDE

Europe today

Strong high pressure, just west of Ireland, will be dominant throughout Europe today. Low pressure on the continent will bring showers or steady rain. Northern parts of Italy, including Corsica and Sardinia, will get outbreaks of showery rain and thunder storms will move in from the south. Western parts of France and the Benelux will have mainly light showers. The UK will stay mostly dry with occasional sunshine, although a warm weak front will bring some drizzle in the north-west. Norway and Sweden will be dry with sunny spells, while Finland and the Baltic States will have rain or showers. Portugal and Greece will be dry and sunny, but thundery showers will develop over southern and south-eastern Spain.

Five-day forecast

Low pressure will spread from southern Europe slowly northward. By Sunday or Monday, most countries on the continent will likely get showers or outbreaks of rain. Eastern parts of Europe will stay very warm with scattered afternoon thunder storms. The UK, as well as the Iberian peninsula, will stay mostly dry.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	26	Caracas	cloudy	32	Edinburgh	cloudy	12	Madrid	cloudy	13	Rangoon	fair	36
	Celsius		Belfast	fair	12	Cardiff	fair	10	Faro	fair	20	Majorca	fair	17	Reykjavik	shower	4
Abu Dhabi	fair	34	Belgrade	fair	24	Casablanca	fair	18	Frankfurt	fair	12	Malta	shower	22	Rio	shower	28
Accra	cloudy	33	Berlin	fair	13	Chicago	rain	20	Geneva	cloudy	10	Manchester	fair	10	Rome	shower	19
Algiers	cloudy	18	Bermuda	fair	25	Cologne	fair	12	Gibraltar	shower	19	Manila	cloudy	35	S. Frsco	fair	20
Amsterdam	cloudy	11	Bogota	shower	20	D' Salaam	fair	33	Glasgow	cloudy	13	Melbourne	cloudy	16	Seoul	sun	23
Athens	sun	23	Bombay	sun	36	Dakar	fair	22	Hamburg	cloudy	10	Mexico City	fair	25	Singapore	cloudy	33
Atlanta	thund	29	Brussels	fair	11	Dallas	fair	22	Helsinki	rain	10	Miami	fair	30	Stockholm	rain	6
B. Aires	sun	28	Budapest	fair	21	Delhi	sun	37	Hong Kong	cloudy	28	Milan	cloudy	16	Strasbourg	cloudy	11
B.ham	shower	9	C.hagen	hazy	10	Dubai	fair	33	Honolulu	fair	26	Montreal	sun	21	Sydney	shower	17
Bangkok	fair	36	Cairo	sun	28	Dublin	fair	11	Istanbul	sun	21	Moscow	cloudy	16	Tangier	cloudy	19
Barcelona	fair	14	Cape Town	fair	24	Dubrovnik	thund	20	Jersey	shower	9	Munich	cloudy	10	Tel Aviv	sun	29
									Karachi	fair	33	Nairobi	fair	26	Tokyo	fair	20
									Kuwait	sun	34	Naples	thund	20	Toronto	fair	26
									L. Angeles	fair	22	Nassau	fair	29	Vancouver	shower	12
									Las Palmas	sun	21	New York	fair	25	Venice	shower	15
									Lima	fair	28	Nice	fair	15	Vienna	fair	18
									Lisbon	fair	19	Nicosia	fair	31	Warsaw	fair	17
									London	shower	9	Oslo	fair	10	Washington	fair	26
									Lux.bourg	cloudy	10	Paris	shower	11	Wellington	fair	23
									Lyon	cloudy	11	Perth	cloudy	26	Winnipeg	cloudy	10
									Madeira	sun	19	Prague	cloudy	12	Zurich	cloudy	10

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FINANCIAL TIMES
COMPANIES & MARKETS
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Friday April 15 1994

IN BRIEF

Falling prices hit Belgian steelmaker

The crisis in the European steel industry was highlighted yesterday when Cockerill Sambre, Belgium's largest steelmaker, announced a loss of BFr6.5bn ($184m) for 1993. The company blamed falling prices and sales. Page 20

Audi drops into the red
Audi, the performance car division of Volkswagen, reported a 1993 loss of DM89m ($52m) down from a DM172m profit the previous year. Page 20

IBM to make Intel chip clones
International Business Machines is to make clones of Intel's microprocessors designed by Cyrix, a Texas semiconductor company. Page 21

JP Morgan falls in first quarter
J.P. Morgan, the US banking group, has reported a 20 per cent fall in first quarter net income, mainly because of a sharp drop in revenues from trading in global financial markets. Page 21

Crédit Lyonnais confident
Crédit Lyonnais, the troubled state-owned French bank, should achieve a capital adequacy ratio in excess of the minimum international standards before it is privatised, Mr Jean Peyrelevade, the bank's president, said yesterday. Page 21

BSkyB to raise £500m
British Sky Broadcasting (BSkyB), the satellite television venture, is raising £500m of non-recourse bank finance to enable it to repay loans from its shareholders. Page 22

Aegis losses deepen to £18m
Aegis, the London-based holding company of Europe's largest media-buying and planning group, has announced 1993 pre-tax losses of £18m ($26.3m), compared with restated losses of £11m for 1992. The group also confirmed that Mr Michel Lefebvre, chief financial officer, would be leaving "in due course". Page 23

Laura Ashley rises 40%
Laura Ashley, the fashion retailer, was tight-lipped about the sudden departure of its chief executive as it announced a 40 per cent increase in pre-tax profits to £3m ($4.4m). Page 23

Sour notes on sugar bid
The Tully and South Johnstone sugar mills in Queensland have stickers on their buildings saying: "Crush the Tate & Lyle bid". Inside, managers are lobbying local shareholders who hold the key to the UK sweetener group's offers, worth A$121m (US$85m) by phone. Page 24

Holiday Inn plans European expansion
Holiday Inn, the hotel chain owned by Bass, the UK brewery and leisure group, hopes to open more than 100 of its budget hotels, Holiday Inn Express, in Europe. Page 25

FT Gold Mines Index
The FT Gold Mines Index Committee has announced that Ashanti Goldfields appears likely to meet the eligibility requirements of the FT Gold Mines Index after its scheduled public listing on April 26. Page 26

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Aachen Mch Reg	1215	+	35
KHD	150.5	+	4.3
Falls			
Bil & Berger	859	−	26
Holzmann Ph	820	−	35
Linotype-Hell	378	−	17
Schmalbach Lub	382	−	10
NEW YORK ($)			
Rises			
Adobe Systems	24¼	+	2⅝
Chevron	88⅜	+	2⅞
Compaq Comp	99⅝	+	1⅛
Natl Medical	17⅞	+	1⅞
Synopsys	41½	+	1¼
Falls			
Motorola	94⅛	−	⅞
PARIS (FFr)			
Rises			
AGF	570	+	14
Elf Aquita Cls	350	+	17.5
Fromageries Bel	5300	+	180
Falls			
Cap Gemini S	170.9	−	9.1
L'Oreal	1187	−	38
Unibail	541	−	16
TOKYO (Yen)			
Rises			
Dowa Fire	680	+	25
Minolta Camera	507	+	34
Nagasakiya	852	+	41
Nissan Diesel	606	+	26
Tokico	584	+	24
Falls			
Hanshin Paper	755	−	25

New York prices at 12:30.

LONDON (Pence)			
Rises			
Acorn Computer	88	+	5
Baldwin	108	+	6
Baby (J)	80	+	6
Division Group	119	+	6½
Fairline Boats	360	+	20
Glencar Expln	37	+	4
Greenway	83	+	4
Havelock Europa	161	+	10
IMI	355	+	12
Johnson Fry	298	+	10
Lep Group	5¼	+	1⅛
Oriflame Intl	273	+	13
SEET	63	+	5
Swallowfield	143	+	26
Vardy (Reg)	209	+	13
WEW	47	+	4
Falls			
British Airways	425	−	14
Coal Invt	71	−	4
Derwent Valley	598	−	20
Hunting	215	−	14
Scottish Hydro	362	−	19
Scottish Power	379	−	13
Virtuality	284	−	13
Wimpey (G)	197	−	10

Schneider faces fraud allegations

By David Waller in Frankfurt

Deutsche Bank and the Frankfurt prosecutor's office yesterday launched separate legal actions against Mr Jürgen Schneider, the missing businessman at the centre of the crisis surrounding the large German property group which bears his name.

Their allegations of fraud added to speculation about the reasons for the disappearance on Friday of 59-year-old Mr Schneider.

Deutsche Bank, the biggest creditor to the property group, alleges Mr Schneider deliberately falsified financial information when seeking a loan for a property development in the Frankfurt city centre. The bank, which has financed eight of Mr Schneider's developments, also alleges Mr Schneider doctored documents when applying to finance the Zeil-Galerie shopping arcade in the city centre.

The Frankfurt prosecutor's office said Mr Schneider had "obviously fled abroad". Sources suggested he told colleagues working at the castle headquarters of the group in Königstein, in the Taunus hills near Frankfurt, that he was going to Tuscany for Easter.

Creditor banks, owed an estimated DM5bn ($2.9bn), said last night after a four-hour meeting in Frankfurt that there was no future for the various business units which comprise Schneider. However they committed themselves to an orderly solution, without pushing the group into insolvency.

This would mean the step-by-step sale of some of the group's properties, the banks said, together with job cuts. The majority of banks at the meeting were in favour of a "constructive across-the-board solution" which would preserve as many jobs as possible. Creditor banks would oversee the task.

The bankers met following a warning on Wednesday from Chancellor Helmut Kohl not to push the group into bankruptcy, which could affect jobs throughout Germany's major cities.

The group's total liabilities are believed to be in the region of DM9bn, of which DM4bn is owed to trade creditors, mainly small businesses in the construction industry which face bankruptcy if Schneider collapses.

Reflecting the government's concern about the impact of the crisis, a taskforce headed by Mr Günther Rexrodt, economics minister, started yesterday to assemble data on the impact of Schneider's problems on the small business sector.

The bankers said that the property group's difficulties were not representative of the situation in the German property market as a whole. They had been caused by "mistakes and deficits particular to this one company".

Tobacco row forces change to RJR offer

By Richard Tomkins in New York

The barrage of criticism afflicting the US cigarette industry yesterday forced RJR Nabisco, the US food and tobacco group that makes Camel and Winston cigarettes, into an embarrassing turnabout over its $2bn stock offering.

It announced that it was changing the terms so that the stock would be convertible into shares in both the food and tobacco parts of the business if the two were split – not just in the tobacco business, as previously planned.

The turnabout comes less than a year after an earlier attempt by RJR Nabisco to spin off its tobacco business foundered.

In February this year RJR Nabisco announced that it was launching an $2bn offer of preferred equity redemption cumulative shares – or percs – to help pay off debt and provide scope for acquisitions.

RJR Nabisco said the percs would be convertible into ordinary shares in the company on a one-for-one basis after three years. But analysts studying the fine print quickly learnt that if the food and tobacco businesses were split, the percs would convert into tobacco stock.

The day after the offering was announced, the US Food and Drug Administration released a letter saying it was considering evidence that might lead to cigarettes being regulated as a drug.

This came amid an unprecedented wave of attacks on the industry from politicians, legislators and anti-smoking groups. Yesterday leading industry figures were called before a congressional hearing to answer allegations that they were manipulating the amount of nicotine in cigarettes to make them more addictive.

Many potential investors had made it clear to RJR Nabisco that they would not be interested in subscribing to a $2bn share offering linked so closely to the tobacco side of the business.

RJR Nabisco said yesterday: "Our decision was in response to a desire from investors to participate in both parts of the business. We would not have made this decision unless we felt it was the right thing to do in terms of having a successful offering."

Each perc will now be convertible into one share in the food business and one share in the tobacco side in the event of a split.

Losses at Air France may reach FFr9bn

By John Ridding in Paris

Air France, the French state-owned airline, is expected to announce a loss of between FFr8bn ($1.37bn) and FFr9bn for 1993, substantially higher than previous estimates of a FFr7.5bn deficit, Mr Bernard Bosson, the transport minister said yesterday.

Mr Bosson's estimate, made during a statement to the Senate, the upper house of the French parliament, is the latest increase in losses forecast for the airline. Last September, Mr Bosson said the loss for 1993 would probably be about FFr5.5bn. In 1992, Air France reported a deficit of FFr3.2bn.

The sharp increase in losses reflects the downturn in the international airline industry. But it also reflects the impact of industrial action last October when the carrier was brought to a standstill by a wave of strikes in protest against a rescue plan. The strikes forced the withdrawal of the plan and the resignation of Mr Bernard Attali as chairman.

Air France declined to comment on last year's results ahead of an official announcement, which is expected this month or next. The airline has said that last October's strike cost FFr1.2bn in lost receipts, but the impact of the industrial dispute are complicated by savings, such as fuel supplies, and additional costs for the provision of alternative transport and accommodation for passengers.

The scale of the losses adds to the urgency of a restructuring package being drawn up by Mr Christian Blanc, who replaced Mr Attali as chairman. On Monday, Mr Blanc received strong support in a vote by the company's 40,000 staff for a plan aimed at raising productivity by 30 per cent over the next three years. The plan includes 5,000 job cuts, a freeze on salaries and on promotion, and a reduction in the airline's fleet.

Industry observers in Paris said the losses demonstrated the severity of the airline's problems, but the deficit could strengthen Mr Blanc's hand in negotiations with staff and unions about how to implement his cost-cutting measures.

The French government has pledged a capital injection of FFr20bn over the next three years to ease the burden of losses and of debts amounting to about FFr38bn. But the capital increase requires approval from the European Commission. Earlier this week, Mr Abel Matutes, the European transport commissioner indicated that approval for the financing could be linked to the sensitive issue of deregulating the French airline market.

Tracy Corrigan looks at the impact of a threat to sue over swap losses

Finger points at banks after Procter's gamble

A new dimension has been added to the range of risks associated with trading derivative instruments, already the source of sleepless nights for regulators, intermediaries and their clients.

Earlier this week, Procter & Gamble, the US consumer products group, threatened to take legal action against Bankers Trust over losses it incurred on interest rate swaps marketed by the bank. In the wake of a $100m after-tax charge in the company's first-quarter results, this has prompted concern among banks that they could be vulnerable to a new type of legal risk: litigation by companies which have lost money on complex derivative instruments such as swaps and options.

The grounds for such an action are unclear, however, and Procter & Gamble has declined to expand on its chairman's statement that: "We are seriously considering our legal options relative to Bankers Trust."

One American lawyer said: "The obvious difficulty for P&G is that in theory they are a sophisticated user, not a widow or orphan. But it may be that certain representations were made by Bankers Trust, perhaps some kind of undertaking to help manage the risk."

Bankers Trust, however, claims it "formally recommended that Procter & Gamble limit its risk by unwinding all or part of the transactions. Senior officials rejected these recommendations."

But one corporate treasurer said he was puzzled by P&G's use of "geared" swaps, which are more risky than normal swaps. "Why did Bankers Trust sell them this sort of product?" he wondered, noting that it was an unusual type of instrument for a company to use.

Whether or not any action goes ahead, the incident has raised the issue of how much hand-holding a bank should do.

"They are obliged to inform companies of the effect of changing market conditions, but not obliged to reveal complex formulae, because that is proprietary information," according to Ms Maureen Erasmus, a partner of Cooper & Lybrand's global risk management practice.

She points out that many companies have lost money on derivatives because they have failed to take account of the tax implications. While this may not seem to be a bank's responsibility, some derivatives are specifically marketed for tax purposes.

The fact is that law on derivatives is a rather grey area, precisely because the rapid growth of the market has outstripped the development of a legal framework.

"I would have not have thought there was any basis to sue where sophisticated grown-up companies are involved," said Mr Alan Newton, partner and head of derivatives at Freshfields, a London law firm. "I think it would be a very difficult argument to get off the ground, unless the financial institution had some sort of advisory role. It wouldn't normally be the case that the intermediary has any obligation to explain risk."

However, in the US, where companies tend to be more litigious a number of cases have been brought. City Colleges of Chicago has filed a suit against National Western Life Insurance's broker-dealer unit, alleging it wrongfully sold the college system $100m of collateralised mortgage obligations (CMOS), risky securities which it alleges were unsuitable for its investment portfolio. And Marion Merrell Dow, this week filed a lawsuit against fund manager David Askin, alleging improper handling of its investments.

However, in these cases the claimants can invoke federal securities law, which does not cover swaps because they are privately negotiated contracts.

The Procter & Gamble move has awakened painful memories for London bankers of the UK local authorities swaps débâcle in the 1980s, which left banks facing losses of £600m ($876m) when local authorities were found to have acted outside their powers in using these instruments. Some banks were also criticised for encouraging authorities to take highly speculative positions.

Mr Geoffrey Isaac, chairman of MTM Partnership, which advises international companies on treasury management, says as a result, "there has been a lot of tightening in the way these things are marketed".

Whether or not Bankers Trust is sued, the crux of the matter – as in virtually every case of large corporate losses, from Allied Lyons' £150m to Metallgesellschaft's roughly $1bn – is that internal controls were broken. Procter & Gamble has already admitted that the policies and procedures governing the control of swaps "simply weren't followed in these two isolated swaps".

While this admission may be enough to scupper any potential action, it could still spark further attempts to gain redress for what can be painful losses. "It certainly has the potential to become a growing area of litigation because of the size of the losses and the reliance that clients may be putting on the expertise of financial intermediaries," said Mr Thomas Siebens, a partner at Milbank Tweed Hadley and McCloy, the US law firm.

Axa resumes growth in profits with 32% advance

By Alice Rawsthorn in Paris

Axa, the second largest French insurer, yesterday announced a return to profits growth last year with a 31.8 per cent increase in net profits to FFr2.04bn ($340m).

Mr Claude Bébéar, chairman, said the group, despite last year's gains, had yet to return to 1991's net profits of FFr2.4bn, but it was on course for further growth this year.

Axa was destabilised in the early 1990s by the intensely competitive condition of the French insurance industry and by the problems of The Equitable, its US associate, into which it injected $400m of new capital last year.

Mr Bébéar said the group's 1993 results benefited from an improvement in its core French insurance business.

Axa, like France's other large insurers, was able to alleviate the pressure on profitability by raising tariffs.

The group was also buoyed by a recovery at The Equitable, a strong performance from its reinsurance interests and by a reduction in the losses of Axa Marine Aviation Transports, its transport subsidiary.

The board proposed raising the dividend to FFr25 from FFr23.

Axa's group turnover rose 48.8 per cent to FFr126.28bn. Attributable profits from insurance also increased 48 per cent to FFr1.54bn. Reinsurance profits more than doubled to FFr172m.

The contribution from financial services and property fell to FFr717m from FFr785m despite the return to the black of Meeschaert Rousselle, the group's stockbroking subsidiary, which made a net profit of FFr33m last year against a FFr20m loss in 1992.

Mr Bébéar anticipated "continued growth in Axa's profits for 1994 unless there is an exceptional event".

He described the first quarter of the year as "very satisfying" for Axa in France where sales of life and damage insurance had risen 47 per cent and 6.5 per cent respectively.

He forecast a further improvement for The Equitable in the US.

The Meeschaert Rousselle stockbroking subsidiary had also fared better so far this year with first quarter profits almost equalling the total for 1993.

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Cockerill Sambre decline steepens

By Gillian Tett in Brussels

The crisis in the European steel industry was highlighted again yesterday when Cockerill Sambre, Belgium's largest steel maker, announced a loss of BFr6.5bn ($184m) for 1993. This compares with a loss of BFr1.4bn the previous year and a profit of BFr3.6bn in 1991.

The company, which had previously predicted a loss of between BFr4-BFr6bn, blamed falling prices and sales for its poor results.

Sales in the group, whose core activity is the production of flat rolled products normally used in the motor and construction industry, fell to BFr147.4bn, down from BFr164.7bn the previous year. Meanwhile, financial debt rose to BFr8bn, up from BFr4.6bn in 1992.

Cockerill Sambre insisted that conditions should improve next year – a hope being echoed by most European steel makers who argue that the improvement in the car manufacturing industry could start to boost steel prices as early as the summer.

"The first half of 1994 saw a pick-up in steel industry activity and an improvement in prices. This ought to lead to a notable recovery of earnings by June," the company said.

However, Mr Jean Gandois, chairman of Cockerill Sambre, warned that there would be no dividend for 1993, insisting that he wanted to "reserve all possibilities to distribute a dividend on 1994 earnings".

Coming hard on the heels of the steel industry's dispute with the European Commission over its demands for further capacity cuts, the result seems to raise more questions about government policy towards steel plants like Cockerill Sambre, which is partly owned by the Belgian Walloon government.

Earlier this week the commission formally agreed to recommend that it would delay its threat to withdraw aid to the industry until November to allow the industry more time to develop restructuring plans.

But the delay is contingent on the European steel companies adhering to a pledge that they will not ask for more state aid.

Commission officials privately admit that the temporary agreement has done little to address the broader problems of the steel sector – or entirely remove the anger generated earlier this year when the Commission fined the sector for alleged cartel rigging, imposing an ECU4m fine on Cockerill Sambre.

Forte holds payout as earnings show fall

By Michael Skapinker, Leisure Industries Correspondent

Forte, the hotel and restaurant group, yesterday announced full-year pre-tax profits of £121m ($178m), compared with £164m, and said it had seen little improvement in the economies in which it operated. Mr Rocco Forte, chairman, said UK consumer spending was still fragile, but the group was now seeing an increase in business from corporate customers.

Total sales for the year to January 31 were £2.1bn, compared with £2.7bn. Sales from continuing operations were up 11 per cent to £1.6bn.

The final dividend of 4.75p results in a total of 7.5p, unchanged from last year when the payout was cut for the first time in two decades. The dividend was covered 0.9 times by earnings per share of 6.8p before exceptional items. Earnings after exceptional items were 10.2p.

There was an exceptional gain of £34m. The group made an exceptional profit of £122m from the flotation last January of 75 per cent of Alpha Airports Group and the sale of its 50 per cent stake in Kentucky Fried Chicken. There was an exceptional charge of £88m following a downward revaluation of properties and fixed assets. A further £324m was offset against the revaluation reserve, bringing total downward revaluations to £412m.

Forte said it normally revalued its properties by rotation every three years. Under procedures introduced last year, it supplemented this with a further review of all its property values. As a result of this year's revaluation, its property and fixed assets were now valued at £3.4bn.

Pre-tax profits before exceptional items were up 23 per cent to £87m. Proceeds of the Alpha sale, received shortly after the year-end, reduced net borrowings to £1.05bn. Gearing was 43 per cent.

While occupancies rose at Forte's UK hotels, rates were hit by strong competition.

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Audi reverses into red but sees break-even this year

By Michael Lindemann in Bonn

Audi, the quality car division of Volkswagen, yesterday reported a 1993 loss of DM89m ($52m) against a DM172m profit the previous year.

However, orders in the first quarter were up 23 per cent on the year before, bolstering hopes that the company would break even again this year.

Mr Herbert Demel, who was appointed chief executive in February, said the company hoped to raise its position in the market with a range of new models, including the A6, the A8 and the RS2, which will be co-produced with the sports car maker Porsche.

"We have very nearly overcome the trough of the current recession," Mr Demel said. "Only technological quantum leaps will ensure lasting competitive advantages."

The Audi workforce agreed in March to work 10 per cent fewer hours, saving a further 3,000 jobs which were due to go, the company said.

In the year ending March 31 the workforce at the company's two plants in southern Germany had fallen 10.5 per cent to 32,353.

Audi said part of its losses was caused by "our commitment to shedding jobs in a socially acceptable manner".

Production in 1993 fell 30.7 per cent to 340,956 cars while deliveries to customers worldwide dropped 25.1 per cent to 354,158 units. The UK was the only exception in a still depressed car market, the company said.

Production in the first quarter of 1994 rose 6 per cent to 80,473 units but orders for the German market, where Audi's share dropped from 5.7 to 5.3 per cent last year, were still down on last year, the company said.

Audi also plans to launch a new small car, the Audi-A, in 1996.

Go-ahead for privatisation of Pharmacia

By Christopher Brown-Humes in Stockholm

Pharmacia, the Swedish pharmaceuticals group, yesterday scotched rumours of a possible delay in its privatisation, saying the industry ministry had given the go-ahead for the sale of the state's 46 per cent holding in June.

The move could raise as much as SKr14bn ($1.8bn), making it Sweden's biggest privatisation. Around half the shares are expected to be offered to foreign institutions.

Mr Jan Ekberg, chief executive, said the mode of privatisation had not been finalised, leaving open the possibility that the state might issue warrants or options to buy shares. The prospectus will be issued on May 24.

Mr Ekberg said the company, one of the world's top 20 drugs groups with 1993 pro-forma sales of SKr27.4bn, would also be seeking a listing in the US.

There had been talk of the sell-off being postponed due to worries about the size of the offer, and unsettled market conditions.

Volvo is Pharmacia's other main shareholder, with a 28 per cent stake.

Antonia Sharpe adds: Pharmacia plans to access the syndicated loan market with a $500m five-year revolving credit facility. J.P. Morgan and Union Bank of Switzerland will act as joint arrangers.

L'Oréal advances to FFr2.5bn

By Alice Rawsthorn in Paris

L'Oréal last year reinforced its position as the world's largest cosmetics company with a 12.5 per cent increase in net profits to FFr2.59bn ($440m) from FFr2.3bn in 1992.

The group, which owns a range of beauty brands including Lancôme cosmetics, Giorgio Armani fragrances and Ambre Solaire sun products, succeeded in maintaining profits growth despite the sluggish state of the international cosmetics market.

The company described conditions last year as "difficult" and said the market was "still depressed" this year. However, he added that L'Oréal had increased its first-quarter sales by between 5 per cent and 6 per cent.

Consolidated sales rose by 6.9 per cent to FFr40.16bn in 1993 from FFr37.57bn in 1992. Managed sales, including the contribution from Cosmair, the North American marketing arm which is to be consolidated into L'Oréal's accounts, rose by 9.2 per cent to FFr50.9bn from FFr46.6bn.

Operating profits increased by 12.9 per cent to FFr4.66bn from FFr4.13bn. Earnings per share rose by 12.5 per cent to FFr44.42 from FFr39.50. The board proposed an increase in the net dividend to FFr10.80 for 1993 from FFr9.60 in 1992.

Blue Circle pre-tax surges 76%

By Andrew Taylor, Construction Correspondent

Blue Circle Industries, the UK's biggest cement company, which yesterday announced a 76 per cent rise in pre-tax profits, has resumed exports to the US and reopened a kiln in south-east England.

The measures emphasise the improvement in construction demand on both sides of the Atlantic, although recovery is more advanced in the US.

Pre-tax profits last year rose from £93.8m to £165.6m ($241.8m). If exceptional items are excluded, operating profits rose 57 per cent to £165.6m.

A reduced tax charge of 31.4 per cent, against 56 per cent after large ACT write-offs, left earnings per share more than three times higher at 14.5p, against 4p.

Blue Circle is paying an unchanged final dividend of 7.5p maintaining a total of 11.25p.

UK profits rose from £33.8m to £59.1m, US profits more than doubled from £13.6m to £32.6m and continental European profits rose from £28.5m to £33.5m.

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Leeds B/S looks at securitisation

By Antonia Sharpe and Alison Smith in London

Leeds Permanent Building Society, the UK's fifth largest, is close to becoming the first society to fund its mortgage lending business through securitisation, a technique in wide use in the US.

Securitisation allows banks to take loans off their balance sheets, removing the risk of default and freeing up capital. The assets are placed in a special-purpose vehicle which then raises money by selling the debt securities to investors. Interest on the securities is funded by loan repayments.

In the past year, Barclays Bank and National Westminster Bank have securitised mortgages and personal loans.

Leeds has spent two years setting up a system to securitise its mortgages. It plans to test the system by using a pool of its mortgages as collateral to raise up to £100m from a small group of banks rather through selling securities in the public market.

Kemira seeks to raise FM2bn

By Christopher Brown-Humes

Kemira, the Finnish chemicals group, yesterday disclosed plans to raise up to FM2bn ($362m) through an initial public offering, further quickening the pace of the government's privatisation programme.

Shares in the fully state-owned group will be offered to international and domestic institutions and the Finnish public, leaving as much as one-third of the company in private hands.

Proceeds will be used to reduce the group's FM8bn debt. The company will also gain a stock market listing.

The offering would be the biggest yet in the government's programme to widen ownership of state companies.

Two other big Finnish industrial groups, Rautaruukki and Valmet, are also planning large international share issues as part of the process.

Kemira aims to launch its offer in the autumn, subject to financial performance and market conditions. It has been encouraged to make the move after returning to the black with a FM30m pre-tax profit last year, compared with a 1992 deficit of FM338m.

Mr Heimo Karinen, chief executive, said: "Competitiveness is now good within the entire group. I am confident that Kemira has sustainable competitive advantages in its chosen markets."

The company achieved 1993 net sales of FM11.2bn, up 6 per cent on 1992 despite generally difficult trading conditions.

Operations include pigments, paints, crop nutrients and speciality chemicals for water treatment and pulp and paper production. The group is the world's fifth-largest producer of titanium dioxide and number one in Europe in water treatment chemicals.

Kemira Agro was the only group division to make a loss last year, after being hit by overcapacity and low prices in the European market.

Kemira's share capital at the end of last year was FM873m. This can be raised by a maximum nominal value of FM400m over the next 12 months.

Strong interim progress by Perstop

By Christopher Brown-Humes

Perstorp, the Swedish specialty chemicals and plastics group, reported strong progress in the six months to February 1994, lifting profits after financial items to SKr270m ($34.07m) from SKr114m in the same period a year ago.

The group said rationalisation, greater penetration of new markets, and the weakening krona had helped to compensate for poor market conditions in Europe.

All six divisions increased sales, lifting total group turnover by 24 per cent to SKr4.99bn.

Mr Gösta Wiking, the president, said that full-year earnings were expected to "substantially exceed" last year's SKr331m level.

"The European economy remains weak, but many factors indicate that a levelling-off is in progress," he noted.

● Sophus Berendsen, the Danish majority shareholder in Rentokil, the UK company, has proposed an increase in the dividend to DKr4.00 from DKr3.50 per share after increasing net profits last year to DKr1.21bn ($180m) from DKr465m in 1992, writes Hilary Barnes in Copenhagen.

Pre-tax profits increased to DKr2.04bn from DKr.1.21bn and turnover was up to DKr9.87bn from DKr7.77bn.

The increase in the group's earnings reflects Rentokil's acquisition of Securigard, the UK security company, and Berendsen's acquisition of Lucas Fluid Power, the hydraulics group.

JP Morgan starts year with 20% fall in income

By Martin Dickson in New York

J.P. Morgan, the New York banking group, yesterday reported a 20 per cent fall in first-quarter net income, due mainly to a sharp drop in revenues from trading in global financial markets, which turned sour two months ago.

The bank *reported* net income of $345m, or $1.69 a share, compared with $432m, or $2.16, in the same period of last year, excluding *the effect* of an accounting change.

The figures were broadly in line with Wall Street expectations of earnings of $1.70 a share.

Revenues totalled $1.39bn, compared with *$1.48bn*, with net interest revenue dipping to $397m from $432m. Excluding receipts from Latin American companies *restructuring their* debt, net interest revenue was up 5 per cent, which the bank said reflected improved results *from its European and Asian* asset and liability management activities.

Non-interest revenue dipped to *$994m from $1.051bn. Trad*ing revenues were $356m – down 24 per cent on the $469m reported in the first quarter of last year *and 41 per cent lower* than the record $606m of 1993's final quarter – as the bank's positioning activities were affected by difficult *market* conditions.

However, Morgan said that *client-related trading activities* had benefited from strong demand for risk management products, particularly swaps *and other interest rate con*tracts, and for US fixed-income securities.

Corporate finance revenues totalled $117m, compared with $119m. Lower underwriting revenue of $45m was largely *offset by increased* advisory fees.

Credit-related fees were up 4 per cent at $56m, investment *management fees rose* 12 per cent to $127m, and operational services saw a 24 per cent increase in revenues, to $144m, *due to increased custody, clear*ance and brokerage fees. Net investment securities gains totalled $91m, down from $95m.

Other revenues totalled $103m, up from $85m, and included net gains of $97m on sales from the bank's equity portfolio and $41m of hedging losses from the management of non-trading foreign currency exposures.

Group operating expenses rose 5 per cent to $852m.

Restated results show losses at Woolworth

By Richard Tomkins in New York

Woolworth, the US-based retailer, has restated its finan*cial results for all four quar*ters of the year ending January 29 1994, and confirmed that profits reported for the *first two quarters had been* illusory.

Last year, Woolworth reported it had scraped into *profits of $1m for the first* quarter and $2m for the second.

This week's restated figures show, however, that the company actually made losses of $24m and $10m in the first *and second quarters respec*tively.

Woolworth said it was not yet ready to explain the errors.

A special committee of the board of directors was investigating the events that had made the restatement necessary, it said.

However, the fact that the *first two quarters'* profits have turned into losses is likely to reconfirm suspicions that costs which should properly *have been taken in the first* two quarters were deferred until later in the year, in a *misguided attempt to keep the company* out of the red.

Woolworth had warned at the end of last month that its quarterly figures would have *to be restated. A few days* later, it announced that Mr William Lavin, chairman and chief executive, and Mr Charles Young, *chief financial* officer, were temporarily stepping aside while an investigation was carried out.

On Tuesday the company announced that its full-year figures for last year would stay the same, but that the quarterly breakdown had been changed "to reflect a correction of gross margins and certain selling, general and administrative expenses".

It also brought forward to the third quarter the reversal *of a $145m repositioning* reserve that had been taken in the fourth quarter.

Significantly, the board also reconfirmed *the fourth-quarter* dividend of 29 cents per share on the common stock, bringing comfort to the company's institutional shareholders, who hold the shares mainly as a yield stock.

Mr John Adams, interim chairman and chief executive, said that the announcement concluded the part of the inquiry relating to the financial results, and should put to rest any concerns about the company's financial position.

IBM to produce Intel chip clones

By Louise Kehoe in San Francisco

International Business *Machines has reached* an agreement to manufacture clones of Intel's microprocessors designed by Cyrix, a Texas *semiconductor company*. The deal poses a challenge to Intel's domination of the chip market.

IBM will manufacture Cyrix's equivalent of Intel's 486 and Pentium microprocessors, which are used in the latest *personal* computer models. As well as supplying these chips to Cyrix, under the five-year agreement IBM also has the *right to sell about half of the* chips it makes either to its *own PC operations or to out*side customers.

"IBM is committed to becoming a major supplier of semi*conductor products*," said Mr Michael Attardo, senior vice-president and general manager of IBM's micro*electronics division*.

IBM's semiconductor sales were about $700m last year, up from just $5m a few years ago.

IBM's personal computer business is Intel's largest customer. All of IBM's personal *computer* products contain microprocessors designed by Intel and either purchased from Intel or manufactured by *IBM itself under a long-stand*ing arrangement with Intel.

The arrangement with Cyrix will "clearly give the IBM PC company a alternative choice", said Mr Attardo.

Intel holds at least an 80 per cent share of the market for PC microprocessors, according to market analysts, while Cyrix *has a market share of less than* 3 per cent. The agreement with IBM will, however, expand Cyrix's opportunity to participate *in the market*, said Mr Jerry Rogers, *president* and chief executive of Cyrix.

IBM and Intel have been technology partners since the introduction of the first IBM PC 12 years ago. IBM's agree*ment with Cyrix is expected to* strain this relationship.

In February, IBM and Intel updated their microprocessor technology agreements. At that time, IBM said it would *forgo rights to manufacture* Intel's latest Pentium microprocessors, citing the high costs of establishing new pro*duction technology*.

Instead, IBM will manufacture Cyrix's MI "Pentium-class" microprocessor. Mr *Attardo said the Cyrix chip* was compatible with IBM's existing semiconductor production technology, and would therefore not involve high costs. Cyrix, moreover, will pay IBM to reserve production capacity at its Burlington, Vermont, *semiconductor plant* for the Cyrix chips, he added.

Crédit Lyonnais confident on capital adequacy ratio

By John Gapper in London and Alice Rawsthorn in Paris

Crédit Lyonnais, the troubled state-owned French bank, *should achieve a capital ade*quacy ratio comfortably in excess of the minimum international standards before it is *privatised, Mr Jean Peyrele*vade, president, said yesterday.

Mr Peyrelevade, speaking to analysts in London, said he believed *Crédit Lyonnais* would raise its current tier 1 ratio of core capital to risk-weighted assets to about 6 per cent, compared with the current figure of 4.4 per cent.

He said he hoped the bank would be able to negotiate share swaps with the government to reduce equity holdings, such as its 20 per cent stake in Usinor-Sacilor, the steel maker.

Mr Peyrelevade said he believed the bank should have stakes of no more than between 5 and 10 per cent in companies to improve the spread of its portfolio, and to give it greater liquidity and flexibility in selling equity.

He said he would accept a price of *$2.5bn for MGM, the* Hollywood studio owned by the bank, if such an offer was made "today". However, the price could rise by spring 1996, which was when he expected to be selling MGM.

Mr Peyrelevade said the bank should achieve a 6 per cent tier 1 ratio – above the 4 per cent minimum in the Basle accord, but increasingly viewed as a comfort level by ratings agencies – by raising fresh capital and constraining asset growth.

The government is participating in a FFr44.9bn ($7.6bn) rescue of Crédit Lyonnais, after the bank reported a FFr6.9bn net loss for 1993. Mr Peyrelevade was appointed five months ago to succeed Mr Jean-Yves *Haberer* at the head of the bank.

As part of the rescue, the government and other public *sector* shareholders will subscribe to the rights issue next month.

The bank hopes to follow this with a rights issue of matching size for other share*holders later this year*.

Mr Peyrelevade said he hoped to raise the tier 1 ratio by 0.5 percentage points a year until the target *was reached*. He was still working on plans to increase banking income while holding assets steady.

Mr Dominique Bazy, *who is* heading the sale of industrial assets, said FFr3bn in disposals had been agreed, and he was confident that FFr10bn would be sold this year. The bank has set a target of selling FFr20bn of its FFr55bn portfolio.

The bank's unions plan to stage a day of action today against Mr Peyrelevade's plans to accelerate the group's return to profit through cost-cutting. The chairman last month unveiled proposals to shed *3,800* jobs over three years.

Mr Peyrelevade said yesterday he expected Crédit Lyon*nais' staff* to accept the proposed cuts. The bank's four unions plan to mount a demonstration against the plan today.

AEG plans further reshape as deficit reaches DM1.2bn

By Michael Lindemann in Bonn

AEG, the electrical engineering division of Daimler-Benz, reported 1993 net losses of DM1.2bn ($700m), against a *profit of DM10m in 1992, and* Mr *Georg Stöckl*, the chief executive, predicted that the company would not break even *until 1995*.

Turnover fell by 3 per cent to DM11bn and operating losses totalled DM500m, compared with DM200m *last time*.

The company said it had set aside a further DM600m for more restructuring and is to spend about DM150m on an additional 7,000 redundancies. The workforce fell by 3 per cent to 58,921 last year.

Mr Stöckl said demand in Germany, the company's most important market, had continued to fall but orders in the first two months of 1993 were 68 per cent higher than the *year before, due largely* to an order from the German Railways for the updated high-speed InterCityExpress II.

None of the company's five divisions made a profit last year. The microelectronics, railway technology and auto*mation divisions suffered the* heaviest losses. The company said it hoped to merge its auto electronics unit with another *manufacturer*.

AEG said it was about to complete the sale of its household appliance division, which employs 9,000 people, to Electrolux, the Swedish group. The European Union is expected to rule this year on whether the sale meets competition requirements, the company said.

The Frankfurt-based company is to be further integrated into Daimler-Benz, Germany's largest industrial concern. It will *take over the diesel engine* operations of the Motoren-und Turbinen-Union, another Daimler subsidiary, and will be *known as AEG Daimler Benz* Industrie.

There will be further restructuring until the com*pany is left with 50,000 employ*ees. Most of the redundancies will be in the railway technology *division*, the company said.

Rising costs put Boise Cascade deeper in red

By Laurie Morse in Chicago

Boise Cascade, the Idaho-based paper manufacturer and forest products processor, blamed severe winter weather and higher costs incurred through *operating difficulties at some* plants for deeper losses in the first quarter. An expected rise in paper prices failed to materialise.

The net loss for the quarter of $37.6m, or $1.35 a share, compared with a deficit of $12.1m, or 56 cents, a year earlier. The first-quarter loss was also larger than the $23.7m, or 98 cents, deficit Boise reported in the fourth quarter of last year.

First-quarter sales rose to $1bn from $984m a year ago.

Losses in the company's largest business segment, paper and paper products, were $69.7m in the quarter, up from $43.5m in the first quarter of 1993, due to higher operating costs and declining prices for Boise's most *important* paper grades.

About 54 per cent of the company's paper sales last year comprised coated and uncoated white papers. In the first quarter, the average price for these grades fell more than 5 per cent from the fourth quarter of 1993, the company said.

Average prices for newsprint and uncoated groundwood papers also declined, while containerboard and market pulp prices rose in the quarter.

Mr Vincent Hannity, Boise Cascade spokesman, said the company's paper segment results would not recover sig*nificantly until worldwide* paper consumption grew.

"With overseas economies weak, their paper consumption *is less. This has caused a sharp* increase in white paper exports to the US at reduced prices," he said.

Income from the company's office products segment improved slightly in the quarter, but income from its building products division declined sharply to $35.0m, from $62.4m a year ago.

Constricted logging in the US north-west raised materials costs, while winter storms muted construction across *much of the US*.

Lyonnaise des Eaux doubles net result

By John Ridding in Paris

Lyonnaise des Eaux-Dumez, the French utilities, construction and communications group, yesterday confirmed it *more than doubled net profits*, to FFr804m ($137.4m), in 1993 and expressed optimism about prospects for the current year.

Mr Jérôme Monod, chairman, said the worst of the economic recession was over, and outlined "considerable oppor*tunities*" in the public works and utilities markets.

"In France, and in the European *Union, infrastructure* programmes, including motorways, high speed trains and airports, will soon be launched", he *said*.

Mr Monod said the group's construction activities would be reinforced through the merger between *its Dumez* and GTM-Entrepose subsidiaries.

The group is proposing a dividend of FFr16.50 for last year, *compared with FFr15 in 1992*.

Spain to float part of Endesa holding

By Tom Burns in Madrid

Grupo Teneo, the Spanish state holding group, is to place up to 10 per cent of its equity in the profitable Endesa *electrical utility* on the market next month, in an international public offering expected to raise Pta180bn ($1.3bn).

The offering, which will reduce Teneo's shareholding in Endesa to around 65 per cent, will be weighted towards Spanish institutions and especially towards retail investors. It will, however, include tranches for the US, Europe and the rest of the world.

The four-week registration *period for potential domestic* retail buyers of Endesa shares opened yesterday.

Teneo said the international *tranches would be reduced if* there was a strong enough demand among small Spanish investors.

At present, US institutions hold nearly half of the 25 per cent of Endesa equity that is traded. Teneo said *one of the* objects of the offering was to increase the number of Spanish shareholders in the *utility*.

Mr Javier Salas, Teneo's chairman, said the income from the share disposal would *be directed towards consolidat*ing the public holding.

The income is particularly needed by Ibéria, the national airline, whose losses last year were chiefly responsible for a sharp fall, to Pta3bn from Pta21bn, in Teneo's net earnings.

Endesa, which raised its net profit last year by 9.9 per cent to Pta116.8bn, *is the domi*nant player in the highly-regulated domestic electricity market.

Together with its affiliated companies, it produces more than half of Spain's electric power and distributes around 40 per cent.

Rubbermaid growth evaporates

By Richard Tomkins

Rubbermaid, *the US household* goods group named "America's most admired company" by Forbes magazine at the begin*ning of the year*, yesterday reported a sharp downturn in first-quarter profits growth.

Net income rose by barely 2 per cent from $49.6m in the comparable period to $50.6m. Turnover was up by 2 per cent to *$491.6m* and earnings per *share* rose from 31 cents to 32 cents.

The company had earlier established a reputation for *turning in big increases in* earnings from year to year. In the 10 years to 1992, earnings growth averaged 18 per cent a year.

Mr Wolfgang Schmitt, chairman and chief executive, said the first quarter's figures reflected particularly soft sales in January and February because of unusually harsh *weather conditions* across the US. Bad weather also caused temporary plant closures, so reducing plant efficiency.

In addition, Mr Schmitt said *retailers' efforts* to cut stocks in the quarter held back the company's turnover growth *even though* store sales of Rubbermaid's products were up.

"March orders, however, have shown substantial improvement, and *that* improvement is continuing into April," Mr Schmitt said. "As a result, we look for more *favourable second-quarter* sales and earnings comparisons."

Heinz in talks with Borden

By Frank McGurty in New York

HJ Heinz, the US grocery products group, revealed it *was in talks with Borden, the* US food and wallpaper group. However, Heinz refused to confirm reports it was buying the bulk *of its food-services* division.

Borden also declined to comment. *The sale of its food* business, which generated $270m in revenues last year, would represent the first divestment *since the troubled group* announced a far-reaching restructuring earlier this year.

The company is seeking to concentrate on its most profitable lines, including pasta *sauces and several niche* grocery products. After posting a net loss of $593.6m last year, it said it would sell more than *$1.25bn in assets*, including its salty snacks and seafood businesses, which generated nearly 20 per cent of its 1993 revenues.

For Heinz, the Borden food services division would make a logical fit with its own core business, which supplies individual plastic pouches of mayonnaise, ketchup and other condiments to restaurants, schools and *hospitals*.

New HK company data service

By Simon Holberton in Hong Kong

Extel Financial, a subsidiary of the Financial Times Group, *and Wardley Data Services* have announced plans for a company research service offering data about Hong Kong-listed companies on CD-Rom.

Wardley Data, a subsidiary of HSBC's *Wardley merchant* bank group, provides the most widely-used system for accessing information about Hong *Kong companies. This paper*-based product is updated regularly.

The new product, Wardley *Extel Workstation, will provide* information on all listed companies in Hong Kong, as well as in *Singapore, Malaysia* and Thailand. Indonesia would soon be added. All data is updated weekly on a fresh disc.

The workstation runs on any IBM-compatible personal computer. Extel and Wardley said *it provided a powerful data* search and retrieval capability. They said the service, offering information about more than *10,000 listed companies*, would be the most extensive corporate data package in Hong Kong.

Extel will gain access to Wardley's customer base of between 300 and 400 users. It *expects the hard-copy service* will be phased out within three or four years.

NEWS DIGEST

NZ oil group to sell land to partner

By Terry Hall in Wellington

Oil group BP New Zealand will raise NZ$125m (US$70.6m) *through the sale of land in the* Hikurangi Forest Estate on the North Island to its joint venture partner, the forest division of *Fletcher Challenge*.

BP said the sale followed the group's decision to focus resources and expertise on its core hydrocarbon *business, and withdraw from* activities not directly related to oil and chemicals.

Net profits at San Miguel up 40%

San Miguel, the Philippines' largest industrial enterprise, reported unaudited net profits of 870m pesos ($31m) for the three months to the end of March, an increase of 40 per cent over *the year-ago figure*, writes Jose Galang in Manila.

The company said sales improved by 11 per cent, but gave no figures.

The beer and food group attributed the improved financial performance to the economic recovery in the Philippines which, *it said*, was "well under way". It said it was allocating a capital budget of 12bn pesos for domestic and *overseas projects during the* year. It is pursuing beer brewery projects in Vietnam and Nepal, according to officials.

Rise in phone use helps Israel telecoms

Israel's main telecommunications company, Bezeq, posted *a 22.5 per cent rise in net* profit, to Shk282.6m ($94.3m) in 1993, Reuter reports from Jerusalem.

The company – 23 per cent has been sold on *the Tel Aviv* stock exchange and a further 23 per cent is due to be floated this year – attributed the rise *to efficiency measures and* increased telephone use.

BCE chief sees profit for full year

By Robert Gibbens in Montreal

BCE, the Canadian-based international telecommunica*tions* group, will report a good first quarter during its annual meeting on April 27, said Mr Lynton Wilson, chairman.

BCE, which recently completed the sale of Montreal Trust to the Bank of Novia *Scotia, will be profitable for all* 1994, he added.

It will maintain the common share dividend at the current *level*.

The group plans to hold the 10m Bank of Novia Scotia shares it received for Montreal Trust *indefinitely*, Mr Wilson added. They are now worth C$275m (US$199.2m).

BCE, which takes in the Bell Canada telephone utility and *controls Northern Telecom and* other companies, has completed the disposal of virtually all its non-core assets, including real estate.

It earned C$1.3bn in 1992, but posted a final 1993 loss of C$750m after special charges of C$800m. Heavier long-distance competition squeezed Bell Canada's *profit*.

● Pennzoil of the US has counterbid C$205m cash for all the shares of Co-enerco, a restructured western Canada gas and oil company, *sought* earlier by Numac Energy, of Calgary. The bid is higher than Numac's, and Pennzoil would *assume C$104m in Co-enerco* debt. Co-enerco has large undeveloped natural gas reserves.

Surge in investment income boosts AMP

By Nikki Tait in Sydney

Australian *Mututal* Provident Society, the large life insurance group and one of the country's biggest institutional investors, said yesterday it had *after-tax operating earnings* of A$2.11bn (US$1.5bn) in 1993.

This figure, however, included investment income of A$7.35bn, of which A$5.12bn *was derived from the net* appreciation of investment assets. The insurer attributed the rise largely to the strong performance of the Australian stock market last year.

The figure only reflected AMP's Australian and New Zealand operations, and excluded its sizeable interests in the UK, which include the Pearl and London Life. The mutual insurer did not provide an earnings figure for the group overall, but did say total *premium income for the con*solidated business stood at A$7.28bn last year, slightly below the 1992 figure of A$7.9bn. Total investment income surged *to A$13.7bn* from A$4.33bn, again largely due to investment portfolio gains.

There was also a sharp rise in *surrenders, policies* which are prematurely cashed in by policy-holders. These cost AMP A$3.8bn overall last year, up from A$2.73bn in *the previous* 12 months.

There is much discussion over how life companies' profits should be reported in Australia, and AMP acknowledged *that its 1993 earnings figure* would have been significantly higher if it had adopted the basis used by some other large Australian insurers.

AMP also made clear yesterday it had no intention of "demutualising" – that is, turning itself into a share*holder-owned company* – despite the fact that this has become an increasingly popular option for mutuals.

INTERNATIONAL CAPITAL MARKETS

Bundesbank move sparks bout of volatile trading

By Sara Webb in London and Frank McGurty in New York

The Bundesbank cut its key interest rates by 25 basis points yesterday, taking the European government bond markets completely by surprise and sparking a bout of volatile trading in the bund market.

Despite the unexpected good news, some of the European bond markets ended lower as other factors, such as worries about US inflation and the shooting down of two US helicopter over Iraq, gave the markets an excuse to trade lower.

The Bundesbank cut the discount rate to 5.00 per cent and the Lombard rate to 6.50 per cent. The moves triggered cuts by other European central banks – in Denmark, Switzerland, Austria, the Netherlands and Belgium – and led to expectations of easings in Italy and France.

At a press conference yesterday, Mr Hans Tietmeyer, the Bundesbank's president, stressed that money supply M3 remained the main target for the German central bank. He said he expected west German inflation to fall below 3 per cent in the second half of 1994, adding that the Bundesbank could not risk triggering inflationary expectations by cutting interest rates too quickly.

Mr Theo Waigel, the German finance minister, said the interest rate cuts from the Bundesbank would support government efforts to spur economic growth.

The bund market had a choppy day despite the good news. The bund contract opened at 96.80 and traded up to 96.97 ahead of the rate cuts. Having drifted down, the futures contract bounced on the rate news and then fell again, touching a low of 96.45. The contract picked up later in the day to close little changed at 96.83.

GOVERNMENT BONDS

Analysts expressed surprise at the bund market's rocky reaction to the good news. "The fact the markets fell after the news shows we are still in a bear market, when 25 basis points off both rates is still not enough to get a rally," said Ms Marie Owens Thomsen, international strategist at Midland Global Markets.

■ UK gilts drifted lower in the morning, then picked up and closed slightly higher on the day, taking their cue from the Bundesbank.

The market will be focusing on today's inflation data for March, as well as on the possibility of a gilt auction announcement.

■ Disappointing inflation figures triggered a fall in Spanish government bond prices yesterday morning, but the market later recovered and closed up on the day helped by the Bundesbank's rate cuts. The Consumer Price Index was up 0.3 per cent in March from February, leaving the year-to-year rate unchanged at 5.0 per cent.

■ US Treasury bond prices eased yesterday morning as the market cautiously awaited today's release of two important economic reports.

By midday, the benchmark 30-year government bond was ⅜ lower at 87⅜, with the yield rising to 7.255 per cent. At the short end, the two-year note was off 1/32 at 99 3/32, to yield 7.255 per cent.

Early in the session, bonds across the maturity range dropped sharply on reports of the shooting down of two US helicopters in Iraq by hostile fire but recovered on news that they had been downed accidentally by US forces.

The day's only economic news – a weekly gain of 12,000 in state claims for unemployment benefit – was shrugged off, even though analysts were expecting a slight decline. Attention instead was focused on today's data on industrial production and capacity utilisation, which economists view as leading indicators of inflation, the bane of fixed-rate investments.

Anticipation of the figures kept many investors on the sidelines. Traders said some of the early activity had been triggered by the mortgage-backed securities market, where a big sale forced the liquidation of five and 10-year government notes.

■ Japanese government bond futures rallied in the London trading session as the yen strengthened against the US dollar. The move prompted the Bundesbank to intervene, selling yen and buying dollars.

In Tokyo trading, the market had a relatively uneventful day, opening on a strong note with the June futures contract at 111.79, and drifting lower to 111.44 in the course of the day.

Non-recourse loan facility for BSkyB

By Antonia Sharpe

In a move which reflects its stronger financial position, British Sky Broadcasting (BSkyB), the UK-based satellite television venture, said yesterday that it is raising £500m of non-recourse bank finance which will enable it to repay loans from its shareholders.

The main shareholders of BSkyB, which has now moved into operating profit but is still incurring large pre-tax losses, are News Corporation with 50 per cent, Pearson, the owner of the Financial Times, with 17.5 per cent, and Granada with 13.5 per cent.

Part of the proceeds of the five-year revolving credit facility, which is being arranged by Toronto-Dominion Bank and Citibank, will be used to repay a £100m bank loan which was guaranteed equally by Pearson, Granada and Chargeurs, the French transport and communication group which has also put money into the venture.

The money will also be used to repay securities held directly by Pearson and Granada and to release certain contingent liabilities.

The payments to shareholders will be in addition to the £100m they have received since December from cash generated by BSkyB's operations.

Terms of the facility were not disclosed but bankers involved in the deal said that such a transaction reflected BSkyB's healthier finances.

"Just one year ago, banks would not have considered taking part in such a facility," said one banker.

The two arranging banks are underwriting £250m of the amount and the remainder will be syndicated among other banks.

Marked pick-up in issuance

By Conner Middelmann

The Eurobond market saw a marked pick-up in issuance in a range of currencies as sentiment was lifted by the Bundesbank's latest monetary easing.

The Council of Europe launched its long-awaited Ecu300m of 10-year bonds, which are due to be priced today to yield between three and five basis points over the 6 per cent 10-year Ecu OAT.

According to the lead manager, Swiss Bank Corporation, the deal is targeted mainly at institutional investors, which have shown good demand for 10-year Ecu paper.

In the dollar sector, the City of Prague launched its long-planned $250m of 7¾ per cent five-year bonds at a 120 basis point spread over Treasuries. According to an official at lead manager Nomura International, the bonds closed at 99.55 bid, below their 99.63 re-offer price, but the spread remained steady at 120 basis points.

While some traders said they saw little demand for the triple-B-minus rated bonds and felt they were tightly priced, others reported interest from institutional investors seeking high-yielding paper with potential for credit improvement.

Two dollar floaters also emerged: $500m of five-year notes for the Province of Nova Scotia, paying a coupon of 0.1875 points above three-month Libor, and $250m of three-year notes for Mexico's Banco Nacional de Comercio Exterior (Bancomext), paying three-month Libor plus 0.75 points. The latter met strong demand from selected east Asian accounts, according to lead manager JP Morgan.

While Nova Scotia's bonds were deemed appropriately priced, traders felt they would be slow to place due to the large size of the issue.

However, lead manager UBS, which took $380m of the deal itself, said it felt a smaller issue might have put the deal's liquidity into question.

The budding Greek drachma sector saw another two new deals: Dr10bn of 15¼ per cent Marathon bonds for the European Bank for Reconstruction and Development, and Dr10bn of 15¾ per cent Eurobonds for Abbey National Treasury Services. Heavy recent supply has some traders grumbling that the sector is fast becoming saturated.

Supranational Marathon bonds are exempt from Greek withholding tax to resident and non-resident investors while Eurodrachma non-supranational bonds are tax-free only for foreigners. Because of this, as well as credit considerations, they pay a significant yield premium over their supranational counterparts.

"European investors feel safer with Marathon bonds," said one trader. "If the Greek market sours, there will be a backstop bid for these bonds from Greek investors because they're tax-free," he said. The EBRD bonds ended around 100 bid, inside fees, while the Abbey National bonds ended at 99¼ bid, at full fees.

Following the Bundesbank's rate cuts, traders in the D-Mark sector are confident that some of the rumoured deals for L-Bank, KfW, Belgium, the World Bank, Karstadt and several Japanese borrowers will start emerging soon. Syndicate sources expect L-Bank to issue DM3bn of five-year global bonds early next week.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Province of Nova Scotia(a)‡	500	(b)	99.60R	May.1999	0.20R	-	UBS
City of Prague	250	7.75	99.63R	May.1999	0.375R	+120(5⅝%-99)	Nomura International
Bancomext‡	250	(c)	99.722R	May.1997	0.35R	-	JP Morgan Securities
YEN							
Marubeni Corp.(d)*	5bn	3.95	101.493	Jan.1999	1.875	-	Nomura International
Marubeni Corp.(e)*	5bn	4.00	101.513	Jul.1999	1.875	-	Nomura International
STERLING							
Woolwich Building Society(f)‡	50	(g)	99.79R	Apr.1998	0.15R	-	Samuel Montagu
ITALIAN LIRE							
Rabobank Nederland(h)	150bn	9.25	100.50	May.2004	2.00	-	BNL/ Credito Italiano
ECUS							
Council of Europe	300	(i)	(i)R	May.2004	0.325R	(i) (6%-04)	Swiss Bank Corp.
DRACHMAS							
EBRD	10bn	15.25	101.15	May.1996	1.50	-	Midland Athens
Abbey Natl.Treasury Services	10bn	15.75	100.625	May.1997	1.375	-	Bankers Trust International
SWISS FRANCS							
General Electric Capl.Corp.*	100	4.50	101.875	May.1999	standard	-	Merrill Lynch Capl.Markets

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Callable on any coupon date from May.95 at par. b) 3-mth Libor +3/16%. c) 3-mth Libor +¾%. d) Tranche A. Short 1st & 2nd coupons. e) Tranche B. Short 1st coupon. f) Issue launched on Monday was increased to £200m. g) 3-mth Libor –0.1%. h) Callable on any coupon date from 20/5/96 at par. i) Priced today at 3-5bp over French OAT's.

Liffe narrows gap with CME in futures rankings

By Laurie Morse in Chicago

Adjusted volume figures released by the Futures Industry Association, the US industry group, show London's Liffe is in a tight race for second place in the rankings of the world's futures exchanges.

Liffe has run a healthy third in recent years behind the Chicago Mercantile Exchange and the Chicago Board of Trade, and its rate of growth consistently exceeds that of the two Chicago bodies.

However, second-placed CME muddied the volume rankings this year by revising its counting method, adding options exercises and expirations, mutual offset trades and other off-floor activities that its competitors say inflate volume.

In response to an industry outcry, the FIA has begun releasing adjusted data for the CME, using the exchange's old method of counting turnover.

The FIA reports CME first-quarter volume at 50.2m contracts, as opposed to the CME's own counting of 54.7m. For March, the FIA data puts the CME at 19.5m contracts, compared with the exchange's report of 22.1m.

By comparison, Liffe's first-quarter turnover was 47.5m contracts, and for March it was 17.0m. Liffe's volume was up 115 per cent from the first quarter of 1993, while the CME's gained about 35 per cent.

The CBoT remains firmly in first place with first-quarter volume of 58m contracts.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/03	109.0000	-0.990	8.10	8.03	7.15
Belgium		7.250	04/04	100.8700	-0.190	7.15	7.12	7.05
Canada *		6.500	06/04	89.0500	-1.100	8.11	8.13	7.44
Denmark		7.000	12/04	100.6500	-0.350	6.91	6.82	6.67
France	BTAN	8.000	05/99	107.0540	-0.170	5.94	5.76	5.70
	OAT	5.500	04/04	92.5100	-0.060	6.54	6.48	6.25
Germany		6.000	09/03	98.1000	-0.390	6.27	6.21	6.21
Italy		8.500	01/04	98.9700	+0.290	8.66†	8.94	9.38
Japan	No 119	4.800	06/99	105.7530	+0.140	3.49	3.29	3.53
	No 157	4.500	06/03	103.7040	+0.420	3.95	3.93	3.97
Netherlands		5.750	01/04	95.4200	-0.020	6.39	6.36	6.21
Spain		10.500	10/03	110.3000	-0.100	8.84	8.95	8.80
UK Gilts		6.000	08/99	94-31	+2/32	7.16	7.12	6.60
		6.750	11/04	93-28	+4/32	7.60	7.50	7.24
		9.000	10/08	110-08	-3/32	7.81	7.71	7.36
US Treasury *		5.875	02/04	92-15	-8/32	6.94	7.02	6.50
		6.250	08/23	87-26	-6/32	7.26	7.32	6.93
ECU (French Govt)		6.000	04/04	93.3700	-0.200	6.94	6.87	6.64

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime. Treasury Bills and Bond Yields

		One month	3.55	Two year	5.45
Prime rate	6¾	Two month	3.58	Three year	5.89
Broker loan rate	5	Three month	3.64	Five year	6.50
Fed.funds	3¾	Six month	4.14	10-year	6.96
Fed.funds at intervention	-	One year	4.70	30-year	7.28

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	123.30	123.24	-0.26	123.42	122.88	201,412	116,633
Sep	122.56	122.46	-0.30	122.58	122.28	82	12,307
Dec	121.86	121.76	-0.30	121.86	121.86	2	358

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls May	Calls Jun	Calls Sep	Puts May	Puts Jun	Puts Sep
123	0.74	1.19	1.45	0.58	1.00	2.09
124	0.28	0.69	1.08	-	1.50	-
125	0.09	0.34	-	-	2.10	-
126	0.03	0.16	-	-	2.88	-
127	-	0.09	0.28	-	-	-

Est. vol. total, Calls 30,065 Puts 32,102. Previous day's open int., Calls 376,569 Puts 271,766.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.80	96.83	-0.06	96.97	96.45	175287	202768
Sep	96.53	96.53	-0.06	96.53	96.23	739	5879

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
9650	0.95	1.34	0.62	1.31
9700	0.68	1.11	0.85	1.58
9750	0.47	0.91	1.14	1.88

Est. vol. total, Calls 36241 Puts 24930. Previous day's open int., Calls 269889 Puts 238354

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	100.88	101.00	-	101.02	100.88	56	2101

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	114.00	114.75	+0.66	114.85	113.75	51279	81738
Sep	113.63	114.35	+0.64	114.30	113.63	102	1542

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
11450	1.62	2.40	1.37	2.55
11500	1.32	2.15	1.57	2.80
11550	1.12	1.85	1.87	3.00

Est. vol. total, Calls 3021 Puts 982. Previous day's open int., Calls 77905 Puts 76361

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	100.05	100.37	+0.21	100.37	99.60	69,630	102,653
Sep	-	100.20	-	-	-	-	104

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	107-13	107-17	+0-04	107-26	106-03	112369	143323
Sep	-	106-20	+0-04	-	-	0	198

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
107	1-54	2-27	1-20	2-51
108	1-22	2-00	1-52	3-24
109	0-60	1-39	2-26	3-63

Est. vol. total, Calls 3147 Puts 4816. Previous day's open int., Calls 92118 Puts 71590

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	89.74	89.74	-0.20	89.92	89.50	1,665	7,752

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	105-01	104-18	-0-14	105-03	104-15	529,415	412,528
Sep	104-01	103-18	-0-15	104-03	103-17	1,668	44,103
Dec	103-03	102-28	-0-09	103-05	102-28	299	31,279

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	111.76	-	-	111.97	111.49	3706	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
Shorts" (Lives up to Five Years)						
Exch 13¼pc 1994	13.50	-	100	...	102 11/32	100
Treas. 10pc Ln. 1994‡‡	9.92	5.11	100 27/32	—	102 1/16	100 19/32
Exch 12½pc 1994	12.18	5.08	102⅝	—	104 19/32	102⅝
Treas 9pc 1994‡‡	8.81	5.17	102 3/16xd	—	103 13/32	102 3/16
12pc 1995	11.41	5.19	105⅛	—	107 3/16	105 1/16
Exch 3pc Gas 90-95	3.06	4.99	97 13/32xd	—	98	97¼
10¼pc 1995	9.71	5.65	105 9/16	—	107 15/32	105 9/16
Treas 12¾pc 1995‡‡	11.56	5.83	110 7/16xd	-1/16	113⅝	110¼
14pc 1996	12.36	5.99	113¼	—	117 1/16	113 5/16
15¼pc 1996‡‡	13.01	6.19	117 3/16xd	—	121 11/32	116 13/16
Exch 13¼pc 1996‡‡	11.68	6.22	113 19/32xd	-1/32	117 25/32	113 1/16
Conversion 10pc 1996	9.26	6.57	107 29/32xd	-1/16	112 3/16	107 3/16
Treas 13¼pc 1997‡‡	11.25	6.75	117¾	—	121 11/16	115¼
Exch 10½pc 1997	9.60	6.81	109 11/32	-⅛	114 3/16	108 15/32
Treas 8¾pc 1997‡‡	8.31	6.93	105 7/32	-3/32	110 7/16	104¾
Exch 15pc 1997	12.08	7.14	124 1/16xd	-⅛	131 15/32	123¼
9¾pc 1998	9.00	7.16	108 5/16	-⅛	114 13/32	107⅛
Treas 7¼pc 1998‡‡	7.22	7.10	100⅜	-3/32	106 5/32	99 3/16
Treas 6¾pc 1995-98‡‡	6.81	6.96	99 1/16xd	...	102	98 11/16
14pc '98-1	11.41	7.45	122 23/32	-3/32	131 7/16	121 13/16
Treas 15½pc '98‡‡	11.90	7.36	130¼	-⅛	140 3/16	129 13/16
Exch 12pc 1998	10.23	7.46	117 5/16xd	-⅛	125 13/16	116 7/32
Treas 9½pc 1999‡‡	8.77	7.36	108 3/16	-3/32	116 3/16	107 5/32
Five to Fifteen Years						
Exch 12¼pc 1999	10.30	7.55	118 15/16	-⅛	128 5/16	117 13/16
Treas 10½pc 1999	9.33	7.47	112½xd	-1/16	121 3/16	111½
Treas 6pc 1999‡‡	6.33	7.15	94 27/32	-3/32	101 15/16	93 15/16
Conversion 10¼pc 1999	9.15	7.55	112	-1/16	121 13/32	111
9pc 2000‡‡	8.42	7.49	106⅞	-3/32	116 3/16	105 15/16
Treas 13pc 2000	10.37	7.78	125 3/16	-⅛	136 25/32	124¼
10pc 2001	8.96	7.74	111 19/32	-⅛	122 1/16	110 13/16
7pc '01‡‡	7.29	7.53	96 13/32xd	-3/32	106 3/16	95 13/16
7pc '01 A	7.24	7.55	96 21/32	-3/32	101 7/16	96 3/16
9¾pc 2002	8.74	7.81	111 19/32	-3/32	123 1/16	110 13/16
8pc 2003‡‡	7.87	7.89	101⅝	-13/32	113 13/32	100 13/16
10pc 2003	8.78	7.81	113 29/32	-⅛	127 1/16	112 13/16
Treas 11½pc 2001-4	9.70	7.93	118 15/32	-3/32	129 13/32	117⅞
Funding 3½pc '99-4	4.61	6.75	75⅞	-1/16	86 3/16	74¼
Conversion 9½pc 2004	8.50	7.79	111 23/32xd	-3/32	125 3/16	110⅛
Treas 6¾pc 2004‡‡	7.22	7.60	93 15/32	-1/16	105⅛	92 3/16
6¾pc 2004 A	7.22	7.59	93 15/32	-1/16	104⅞	92 3/16
Conv 9½pc 2005	8.48	7.79	112 1/16xd	-1/16	125½	110⅝
Treas 12½pc 2003-5	9.72	8.09	128⅝xd	-⅛	143 1/16	127 13/16
7¾pc 2006‡‡	7.76	7.75	99 13/16	-3/32	112 15/32	98¾
8pc 2002-6‡‡	7.97	7.82	100 13/32	-13/32	111⅝	99 3/16
Treas 11¾pc 2003-7	9.60	8.08	122 13/32	-⅛	136 5/32	121⅛
Treas 8½pc 2007‡‡	8.08	7.78	105 3/16	-11/32	119 3/16	104 3/16
13½pc '04-8	8.94	8.10	135⅞	-13/32	151 7/16	134 13/16
Treas 9pc 2008‡‡	8.19	7.80	109 27/32	-13/32	124 13/32	108 13/16
Over Fifteen Years						
Treas 8pc 2009	7.94	7.80	100 13/16	-1 3/32	115 3/16	99 13/16
Treas 6 1/4pc 2010	7.85	7.70	88	-13/32	99 3/32	84¾
Conv 9pc Ln 2011‡‡	8.12	7.81	110 27/32	-3/32	126 13/32	109⅞
Treas 9pc 2012‡‡	8.10	7.80	111⅛	-13/32	127⅞	109 13/16
Treas 5½pc 2008-12‡‡	6.92	7.55	79½	-1⅛	93⅞	77 13/16
Treas 8pc 2013‡‡	7.85	7.79	101 27/32	-3/32	117 13/16	100 3/16
7¾pc 2012-15‡‡	7.85	7.77	98 11/16	-1⅛	114¾	98
Treas 8¾pc 2017‡‡	7.95	7.80	110	-3/32	128¾	108 3/16
Exch 12pc '13-'17	8.63	7.89	139 1/16	-⅛	159½	137⅞
Undated						
Consols 4pc	8.11	-	49 5/16	-⅛	59¾	48¼
War Loan 3½pc‡‡	7.87	-	44½	-½	54 13/32	43 7/16
Conv 3½pc '61 Aft	5.84	-	59 15/16	-3/32	71	59½
Treas 3pc '66 Aft	8.28	-	36¼	-⅛	44⅝	35⅞
Consols 2½pc	8.03	-	31⅛	-¼	38½	30 3/16
Treas. 2½pc	8.25	-	30 5/16	-1/16	37⅝	29 13/16

Index-Linked (b)	Notes	Yield (1)	Yield (2)	Price £	+ or –	1994 High	1994 Low
Treas. 2pc '94	(102.9)	-	-	137 3/16	—	137 3/16	136 13/16
2pc '96	(67.9)	2.19	3.19	198 3/16	—	203⅝	198 3/16
4⅝pc '98‡‡	(135.6)	2.48	3.15	107¼xd	—	113 5/16	107⅛
2½pc '01	(78.3)	2.81	3.18	168 13/16	—	176⅞	168 3/16
2½pc '03	(78.8)	2.93	3.23	165 13/32xd	+3/32	173⅝	164⅝
4⅝pc '04‡‡	(135.6)	2.95	3.24	112 3/16xd	—	118⅜	111 1/16
2pc '06	(69.5)	3.03	3.26	174⅛	—	184 15/16	172⅝
2½pc '09	(78.8)	3.19	3.39	157½xd	+1/16	168 3/16	155¾
2½pc '11	(74.6)	3.24	3.42	163½	+1/16	175⅝	161 13/16
2½pc '13	(89.2)	3.29	3.45	134¾	+1/16	148⅛	133 3/16
2½pc '16	(81.6)	3.34	3.49	143⅝	+1/16	157 3/16	142⅜
2½pc '20	(83.0)	3.39	3.52	138 1/16xd	+1/16	152 11/16	137
2½pc '24‡‡	(97.7)	3.38	3.50	115½	+1/16	129 1/16	114½
4⅛pc '30‡‡	(135.1)	3.41	3.53	114 13/16	+1/16	128 13/16	114 1/16

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for July 1993: 140.7 and for February 1994: 142.1.

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
African Dev 11¼ 2010	8.81	8.12	126 11/16	—	142 3/16	124 3/16
Asian Dev 10¼pc 2009	8.66	8.10	118 11/16	—	138⅜	118⅜
B'ham 11½pc 2012	9.12	8.67	126⅛	—	142	124
Ireland Cap 8½pc '10	8.10	-	105	+¼	118½	103
9pc Cap 1996	8.91	-	101	+¼	103½	100¼
13pc '97-2	11.66	-	111½	+½	115¾	108½
Hydro Quebec 15pc 2011	9.95	9.08	150 13/16	—	169 11/16	148 3/16
Leeds 13½pc 2006	9.96	-	135½	—	149¾	134½
Liverpool 3½pc Irred	8.86	-	39½	—	44¼	33¾
LCC 3pc '20 Aft	8.57	-	35	—	40½	28¼
Manchester 11½pc 2007	9.44	8.68	121⅞	—	136¼	120½
Met. Wtr 3pc 'B'	4.29	7.59	69⅞	—	78	69⅞
N'wde Anglia 3⅞pc 2021	-	4.15	138	—	150¼	138¼
4¼pc IL 2024	-	4.15	133⅛	—	145¼	131¾
Utd Mex States 16½pc 2008	11.54	-	143	—	159½	142¼

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Apr 14	Day's change %	Wed Apr 13	Accrued interest	xd adj. ytd
1 Up to 5 years (23)	123.78	-0.04	123.83	1.09	3.98
2 5-15 years (24)	147.27	-0.05	147.36	1.73	4.36
3 Over 15 years (9)	166.21	-0.43	166.93	2.00	3.53
4 Irredeemables (6)	191.42	-1.05	193.36	3.95	1.47
5 All stocks (62)	143.74	-0.22	144.17	1.57	4.11
Index-linked					
6 Up to 5 years (2)	184.84	-0.01	184.83	0.16	2.53
7 Over 5 years (11)	173.46	-0.04	175.38	0.55	1.89
8 All stocks (13)	179.13	+0.04	179.06	0.51	1.77
Debentures and Loans					
9 Debs & Loans (73)	134.11	-0.74	135.12	1.92	3.76

Yields	Low coupon Apr 14	Low Apr 13	Low Yr. ago	Medium coupon Apr 14	Medium Apr 13	Medium Yr. ago	High coupon Apr 14	High Apr 13	High Yr. ago
5 yrs	7.24	7.22	6.80	7.48	7.45	7.05	7.58	7.55	7.27
15 yrs	7.77	7.71	7.75	7.85	7.80	8.17	8.14	8.08	8.42
20 yrs	7.84	7.76	7.98	7.85	7.80	8.31	8.05	7.99	8.48
Irred.†	7.96	7.88	8.36						

Index-linked	Inflation 5% Apr 14	Apr 13	Yr. ago	Inflation 10% Apr 14	Apr 13	Yr. ago
Up to 5 yrs	3.32	3.31	2.30	2.44	2.43	1.47
Over 5 yrs	3.44	3.44	3.43	3.27	3.27	3.26

Debentures and Loans	5 year yield Apr 14	Apr 13	Yr. ago	15 year yield Apr 14	Apr 13	Yr. ago	25 year yield Apr 14	Apr 13	Yr. ago
9 Debs & Loans	8.93	8.87	8.64	8.97	8.89	9.25	8.99	8.90	9.47

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Apr 14	Apr 13	Apr 12	Apr 11	Apr 8	Yr ago	High*	Low*
Govt. Secs. (UK)	96.62	97.02	97.39	97.29	96.72	95.91	107.04	96.30
Fixed Interest	116.41	117.04	117.29	117.00	116.79	112.86	133.87	115.14

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Apr 13	Apr 12	Apr 11	Apr 8	Apr 7
Gilt Edged bargains	88.9	84.9	84.0	94.4	85.5
5-day average	87.6	89.9	93.3	97.1	104.6

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on April 14

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	92⅝	92⅞	-½	7.65
AlbertaProvince 9⅜ 95	800	105⅛	105½	-⅛	5.74
Austria 8½ 00	400	108½	106⅞	-⅛	7.08
Bank of Tokyo 8⅜ 96	100	104	104¼	-¼	6.15
Belgium 9⅝ 98	250	109⅞	110¼	-⅛	6.85
BFCE 7¾ 97	150	103⅞	104⅜	-⅛	6.23
British Gas 0 21	1500	10⅞	11⅛	-⅛	8.36
Canada 9 96	1000	105⅜	105⅝	-⅛	5.86
Cheung Kong Fin 5½ 98	500	90⅞	91¼	-½	8.00
China 6½ 04	1000	87⅜	87⅞	-⅛	8.59
Council Europe 8 96	100	103⅞	104½	-⅛	6.12
Credit Foncier 9½ 99	300	109⅞	110¼	-½	7.02
Denmark 5¾ 98	1000	97½	97¾	-⅛	6.50
ECSC 8¼ 96	193	104½	105	-¼	6.32
EEC 8¼ 96	100	104⅜	104¾	-⅛	6.03
EIB 7¾ 96	250	103⅞	103¾	-⅛	6.07
EIB 9¼ 97	1000	108¼	108½	-½	6.61
Elec de France 9 98	200	107⅜	108	-⅛	6.79
Eurofima 9¼ 96	100	105¼	105⅝	-¼	5.97
Ex-Im Bank Japan 8 02	500	103⅞	103¾	-½	7.43
Export Dev Corp 9½ 98	150	109⅜	109¾	-⅛	6.86
Finland 7⅞ 97	200	103½	104⅛	-⅛	6.45
Finnish Export 9⅜ 95	200	105⅛	105½	-⅛	5.74
Ford Motor Credit 6¼ 98	1500	97⅞	98¼	-¼	7.00
Gen Elec Capital 9⅜ 96	300	106⅜	106⅞	-¼	6.10
GMAC 9⅛ 96	300	104⅞	105¼	-⅛	6.40
Ind Bk Japan Fin 7⅞ 97	200	103⅞	104		6.60
Inter Amer Dev 7⅝ 98	200	103¼	103½	-⅛	6.11
Italy 6⅞ 23	3500	84½	84⅞	-⅛	8.46
Japan Dev Bk 8⅜ 01	500	105½	105⅞	-½	7.32
Kansai Elec Pwr 10 96	350	107¼	107⅝	-¼	5.97
Korea Elec Power 6⅜ 03	1350	87⅞	88⅜	-⅛	8.39
LTCB Fin 8 97	200	103½	104⅛	-⅛	6.55
Matsushita Elec 7¼ 02	1000	98¼	98⅝	-⅛	7.68
Nippon Cred Bk 10⅜ 95	150	105	105½	-⅛	6.00
Norway 7¼ 97	1000	102⅞	102⅝	-⅛	6.36
Ontario 7⅜ 03	3000	98⅝	99	-½	7.73
Oster Kontrollbank 8½ 01	200	106¼	106⅝	-½	7.31
Petro-Canada 7¼ 96	300	102⅛	102⅞	-⅛	6.13
Portugal 5¾ 03	1000	88⅛	88⅜	-½	7.67
Quebec Hydro 9⅜ 98	150	109⅜	110	-¼	7.20
Quebec Prov 9 98	200	106⅜	107	-¼	7.10
Sainsbury 9⅛ 96	150	105⅜	106¼	-⅛	6.49
SAS 10 99	200	107⅝	109⅛	-¼	8.03
SBAB 9½ 95	500	104⅛	105⅛	+¼	5.04
SNCF 9½ 98	150	109½	109¾	-¼	6.84
Spain 6½ 99	1500	97⅝	97⅞	-½	7.03
State Bk NSW 8½ 96	200	104¼	105	-⅛	6.30
Sweden 5½ 95	2000	99⅞	100	-⅛	5.64
Swedish Export 8⅜ 96	700	104⅛	104⅞	-⅛	5.97
Tokyo Elec Power 8⅛ 96	300	105⅜	105¾	-⅛	6.20
Tokyo Metropolis 8⅛ 96	200	104½	104⅞	-½	6.27
Toyota Motor 5⅝ 98	1500	96¼	96½	-¼	6.74
United Kingdom 7¼ 02	3000	99⅛	99½	-⅛	7.36
World Bank 8⅛ 99	1500	106⅞	107⅛	-⅛	6.96
World Bank 8⅛ 97	1500	106⅛	107	-⅛	6.25
United Kingdom 7⅛ 97	5500	104¼	104⅜	-⅛	5.75
Volkswagen Intl Fin 7 03	1000	100⅞	101⅜	-⅛	6.86
World Bank 0 15	2000	27⅛	27⅜	-¼	6.20
World Bank 5⅞ 03	3000	96¼	96½	-⅛	6.42
World Bank 8¾ 00	1250	113⅝	114	-⅛	5.99
DEUTSCHE MARK STRAIGHTS					
Austria 6½ 24	2000	92	92⅛	-⅛	7.15
Credit Foncier 7¼ 03	3000	103½	104	-⅛	6.71
Denmark 6⅛ 98	2000	101¼	101⅞		5.77
Depfa Finance 6⅛ 03	1500	98⅝	98¾	-⅛	6.57
Deutsche Bk Fin 7½ 03	2000	104	104½		6.87
ECSC 8⅝ 96	700	107	107⅞	-⅛	5.71
EEC 6½ 00	2900	102	102¼	-⅛	6.08
EIB 6¼ 00	1500	100⅞	101⅛	-⅛	6.07
Finland 7½ 00	3000	105⅜	105¾	-¼	6.40
Italy 7¼ 98	5000	104	104⅛		6.04
Norway 6¼ 98	1500	101¼	101⅞		5.77
Ontario 6¼ 04	1500	96¼	96⅞	-¼	6.78
Spain 7¼ 03	4000	103⅜	103½	-¼	6.73
Sweden 8 97	2500	106⅜	106⅝	-⅛	5.94
SWISS FRANC STRAIGHTS					
Asian Dev Bank 6 10	100	108	108¼	-⅛	5.26
Austria 4½ 00	1000	101½	101⅝		4.20
Council Europe 4¾ 98	250	102¼	102¾	+¼	4.10
Denmark 4¼ 99	1000	100¼	100⅜	-⅛	4.19
EIB 6¾ 04	300	111½	112		5.29
Elec de France 7¼ 06	100	112¾	113¾	-⅛	5.72
Finland 7¼ 99	300	111	111¼	+½	4.90
Hyundai Motor Fin 8½ 97	100	107¾	108½	-¼	5.90
Iceland 7⅞ 00	100	112	112½		5.32
Kobe 6⅜ 01	240	108	108½	-¼	5.03
Ontario 6¼ 03	400	106¼	106¾	-¼	5.34
Quebec Hydro 5 08	100	98	99		5.20
SNCF 7 04	450	115	115½	-½	5.11
World Bank 5 03	150	101½	102	-½	4.79
World Bank 7 01	600	112	112¼	-¼	4.90
YEN STRAIGHTS					
Belgium 5 99	75000	104½	104¾		4.09
EIB 6⅝ 00	100000	112½	112¾		4.19
Finland 6¾ 96	50000	106½	106¾	-⅛	3.25
Inter Amer Dev 7¼ 00	30000	116¼	116½		4.17
Italy 3½ 01	300000	94⅛	94½	-⅛	4.47
Japan Dev Bk 5 99	100000	105¼	105⅜	+⅛	3.91
Japan Dev Bk 6½ 01	120000	113½	113⅝	-⅛	4.33
Nippon Tel Tel 5⅞ 96	50000	106	106¼		3.27
Norway 5⅝ 97	150000	105⅛	105¼		3.44
SNCF 6¼ 00	30000	113	113¼		4.21
Spain 5¼ 02	125000	108	108⅛		4.53
Sweden 4⅝ 98	150000	103	103⅛		3.76
World Bank 5¼ 02	250000	106¼	106⅞		4.28
OTHER STRAIGHTS					
Arbed 7½ 95 LFr	600	100¾	101¾		6.81
Genfinance Lux 9⅛ 99 LFr	1000	109	110		6.93
World Bank 8 99 LFr	1000	102⅞	103⅞		6.44
Bank Voor Ned Gem 7⅝ 02 Fl	1000	105½	105⅞	-3¼	6.76
Energie Beheer 8⅜ 98 Fl	500	111¼	112¼		5.74
AlbertaProvince 10⅝ 96 C$	500	105¼	105¾	-¼	7.43
Bell Canada 10⅝ 98 C$	150	108⅛	108⅞	-⅛	8.62
British Columbia 10 96 C$	500	104⅞	105¼	-⅛	7.43
EIB 10⅛ 98 C$	130	108⅝	109⅝	-½	7.49
Elec de France 9¾ 99 C$	275	108	108⅝	-⅛	8.30
Gen Elec Capital 10 96 C$	300	104½	105⅛	-⅛	7.63
NIW Intl Fin 10 01 C$	400	107⅛	107⅞	-⅛	8.56
Nippon Tel Tel 10¼ 99 C$	200	108¼	108¾	-⅛	8.30
Ontario 8 03 C$	1500	96½	96⅞	-½	8.75
Ontario Hydro 10⅞ 99 C$	500	109⅞	110¼	-⅛	8.36
Oster Kontrollbank 10¼ 99 C$	150	107⅞	108½	-⅛	8.33
Quebec Prov 10½ 98 C$	200	107⅞	107⅞	-½	8.48
Belgium 9¼ 96 Ecu	1250	105	105⅛		6.28
Council Europe 9 01 Ecu	1100	111⅛	111¾	-⅛	7.04
Credit Lyonnais 9 96 Ecu	125	104⅛	105⅛	-⅛	6.66
EIB 10 97 Ecu	1125	108⅞	109¼	-⅛	6.46
Ferro del Stat 10⅛ 98 Ecu	500	110⅛	110⅞		6.86
Italy 10¾ 00 Ecu	1000	117⅜	117⅞	-⅛	7.10
Spain 9 98 Ecu	1000	105⅛	105¼		6.31
United Kingdom 9⅛ 01 Ecu	2750	112⅛	112¼	-⅛	6.84
AIDC 10 99 A$	100	106½	107	-⅛	8.39
BP America 12¼ 96 A$	100	108¼	108⅝	-⅛	7.40
Comm Bk Australia 13¾ 99 A$	100	122⅛	122⅞	-½	8.42
Eksportfinans 12⅜ 95 A$	75	106½	106⅞		8.22
McDonalds Canada 15 95 A$	100	109⅜	109⅞		6.59
NSW Treasury Zero 0 20 A$	1000	10⅜	11	+⅛	8.74
R & I Bank 7⅜ 03 A$	125	93⅜	93⅞	-⅛	8.83
Sth Aust Govt Fin 9 02 A$	150	100½	101	-⅛	8.90
Unilever Australia 12 98 A$	150	112⅝	113⅛	-½	8.16
Abbey Natl Treasury 8 03 £	1000	97⅞	98¼		8.34
Alliance Leics 11⅜ 97 £	100	110½	111	-⅛	7.41
British Land 8⅞ 23 £	150	92⅜	92⅞	-⅛	9.89
EIB 10 97 £	637	107	107⅜	-⅛	7.13
Halifax 10⅜ 97 £	100	107⅝	108⅛	-⅛	7.34
Hanson 10⅜ 97 £	500	107⅝	108		7.78
HSBC Holdings 11.69 02 £	153	115¾	116¼	+⅛	8.91
Italy 10½ 14 £	400	115¼	115⅝	-⅛	8.85
Japan Dev Bk 7 00 £	200	96½	96⅞		7.69
Land Secs 9½ 07 £	200	104⅛	104½	+⅛	8.95
Ontario 11⅛ 01 £	100	113⅝	114	-⅛	8.41
Powergen 8⅞ 03 £	250	102¼	103⅛		8.42
Severn Trent 11½ 99 £	150	113⅝	114⅛		8.15
Tokyo Elec Power 11 01 £	150	114	114⅛	-⅛	8.31
World Bank 11¼ 95 £	100	105½	105⅞	-⅛	5.85
Abbey National 0 98 NZ$	100	83⅜	84⅜	-⅛	7.63
TCNZ Fin 9¼ 02 NZ$	75	105⅝	105⅞	+⅛	7.78
CEPME 10 95 FFr	2000	104⅛	104⅜	+⅛	6.06
Elec de France 8¾ 22 FFr	3000	114½	115	-⅝	7.60
SNCF 9¼ 97 FFr	4000	108¼	108⅝		6.15

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
Abbey Natl Treasury -1/16 99	1000	99.40	99.55	3.7656
Banco Roma 0 99	200	99.75	99.95	3.8750
Belgium 1/16 97 DM	500	99.98	100.08	5.8750
BFCE -0.02 96	350	99.80	99.93	3.4175
Britannia 0.10 96 £	150	99.95	100.05	5.5375
Canada -¼ 99	2000	99.42	99.51	3.3125
CCCE 0 06 Ecu	200	98.76	99.01	6.2500
Credit Lyonnais 1/16 00	300	99.41	99.91	5.0000
Denmark -⅛ 96	1000	99.51	99.61	3.7500
Dresdner Finance ½ 98 DM	1000	99.94	100.02	5.9688
Ferro del Stat 0.10 97	420	100.13	100.33	3.7875
Finland 0 97	1000	99.89	99.98	3.4141
Halifax BS 1/16 95 £	350	99.96	100.04	5.5000
Ireland 0 98	300	99.66	99.77	3.4400
Italy ¼ 98	2000	100.43	100.50	4.1250
LKB Baden-Wuert Fin -⅛ 98	1000	99.56	99.65	3.4375
Lloyds Bank Perp S 0.10	600	84.26	85.25	4.1000
Malaysia 1/16 05	650	99.93	100.25	5.2500
New Zealand ⅛ 96	250	99.98	100.10	3.4590
Ontario 0 99	2000	99.38	99.48	3.5625
Renfe 0 98	500	99.38	99.58	3.3750
Societe Generale 0 96	300	99.52	99.67	4.0312
Staatsbank Berlin -0.05 96 DM	6000	99.93	99.98	5.6846
State Bk Victoria 0.05 99	125	99.66	99.93	3.5344
Sweden 0 98	1500	100.05	100.13	3.7500
United Kingdom -⅛ 96	4000	99.82	99.90	3.6250

CONVERTIBLE BONDS	Issued	Conv. Price	Bid	Offer	Prem.
Browning-Ferris 6¾ 05	400	52½	93⅝	94⅞	+62.05
Chubb Capital 6 98	250	86	103⅛	103⅞	+17.86
Eastman Kodak 6⅜ 01	300	41.52	104⅝	105⅜	+0.73
Gold Kalgoorlie 7½ 00	65	1.0554	117⅜	119⅜	+24.68
Hanson 9½ 06 £	500	2.5875	116⅛	117⅛	+14.90
Hawley Pref 6 02	400	19.1	135¼	136⅞	
Land Secs 6¾ 02 £	84	6.72	100⅞	101⅞	+1.58
Lasmo 7¾ 05 £	90	5.64	85⅞	87	
Mitsui Bank 2⅝ 03	200	2332.6	85¾	87½	+18.56
Mount Isa Fin 6½ 97	100	2.283	102⅝	103⅜	+8.08
Natl Power 6¼ 08 £	250	4.33	113⅝	114⅝	+12.84
Ogden 6 02	85	39.077	92½	93¾	+58.24
Pennzoil 4¾ 03	500	117⅞	96¾	97¼	+31.84
Sumitomo Bank 3⅛ 04	300	3606.9	91⅛	92¼	+22.03
Sun Alliance 7¼ 08 £	155	3.9	106⅞	107⅛	+21.17
Tesco Capital 9 05 £	200	2.51	118⅝	119½	+37.85
Texas Instruments 2¾ 02	300	82⅞	101⅜	102⅜	+19.59

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Rising provisions leave Aegis £18m in the red

By Diane Summers, Marketing Correspondent

Aegis, the London-based holding company of Europe's largest media-buying and planning group, incurred a pre-tax loss of £18m for the year to December 31, compared with restated deficit of £11m.

Exceptional items of £40m were £25.9m higher than the £14.1m the group had been expecting at the time of its refinancing in October last year.

Some £9.5m of the exceptionals were for *FRS 4* requirements, which alter the treatment of refinancing costs and preference dividends. The remainder was made up largely of additional restructuring and a reserve to cover a fine under French competition law, against which the group is appealing.

Mr Frank Law, chairman, said the underlying pre-tax profit of £22m was at the anticipated level.

The group also confirmed that Mr Michel Lefebvre, chief financial officer, would be leaving "in due course" and that Mr Thierry Vial Collet, chief operating officer, would also be leaving. Mr Charles Hochman, chief executive, may retire by the end of next year.

Consultants are reviewing the group's central management structure to bring it into line with the "enlargement and geographic spread of the shareholders following the refinancing".

The current management is strongly French but, following the refinancing, Omnicom, the US advertising group, has acquired a 9 per cent stake, and Warburg Pincus, the US investment firm, a 33 per cent holding.

Turnover was down 3 per cent at £2.75bn, while gross income dropped 19 per cent to £153m.

Operating expenses were down 14 per cent at £120m and underlying operating profit was reduced by 37 per cent to £33m. Gross margins dropped from 6.7 per cent to 5.6 per cent.

Losses per share fell from a restated 20.8p to 12.1p. The dividend for the year is omitted and the board said it did not expect a payment in 1994. An interim only of 1.375p was paid for 1992.

● **COMMENT**

Aegis is heavily dependent on operations in France where the recently-introduced "Loi Sapin" has slashed media-buying revenues. Until April 1993 media buyers could take a cut from substantial volume-related discounts from media owners; now all discounts have to be passed on directly to advertisers. In spite of this, the group has maintained a gross margin of 5.6 per cent, compared with the pre-Loi Sapin level of 6.7 per cent. Growth in turnover is anticipated by the company, with over a dozen new clients coming on stream during 1994. Forecast profits of £30m put the shares on a prospective multiple of 11.8. That sizeable discount to the market is understandable, given recent traumas, but does not yet reflect the recovery potential.

Derwent buys Heron properties for £33m

By Simon Davies

Heron Group has raised £33.4m from the sale of seven properties to Derwent Valley Holdings, taking the value of asset disposals by the property and trading group to more than £250m since June last year.

Derwent's shares fell 20p to 588p on the announcement. The company plans to fund the acquisition partly through a 1-for-3 rights issue at 500p to raise £18.6m net.

The portfolio includes 4 properties in the west end of London, where 85 per cent of Derwent's existing portfolio is situated.

Mr John Burns, managing director, said the properties had been "hand-picked". The deal will enhance Derwent's income, offering an initial yield of 10.3 per cent, falling to 9.5 per cent in September, as a result of lease renewal.

However, as a result of shares being issued at a discount to their 544p net asset value, Derwent's asset value per share will fall to 528p.

Mr Burns said the portfolio offered a balance of long and short leases, enabling Derwent to add value through active management. There is also longer-term redevelopment potential for some properties.

The company completed a £17m placing in mid-1993, and has since invested £57m in the UK property market, including the latest purchase. Its gearing will rise to 60 per cent.

Heron said the property sales, made by its Heron Corporation subsidiary, had been at values above those in its business plan.

However, under its restructuring agreement, the property proceeds are tied to Heron Corporation's own debt. It will not affect Heron International bondholders, who currently face a request for deferred interest payments, primarily because of the impact of declining European property values.

Laura Ashley up 67% to £3m

Laura Ashley yesterday remained tight-lipped about the sudden departure of its American-born chief executive as it announced a 67 per cent increase in pre-tax profits to £3m, writes Peggy Hollinger.

However, it became increasingly clear that the boardroom split, which resulted in the announcement this week of Mr Jim Maxmin's departure, had been less than amicable.

Mr Maxmin was present yesterday to announce the results of the company which he led back to profit during his three-year stint. He was relaxed and confident – as long as questions were focused on the business.

Sales were ahead 13 per cent, after accounting for currency effects, at £300.4m, with gross profit 8 per cent higher at £158.4m on the same basis. Earnings rose from 0.35p to 0.45p.

The group also reported substantial progress in rectifying problems which resulted in heavy losses in the US last year. This gave many analysts encouragement to speculate that a dividend more meaningful than 1993-94's maintained 0.1p might be paid this year. "If things are looking fair, a dividend of about 1p would not be unreasonable," said one analyst.

When asked about the reasons for his departure, Mr Maxmin's replies were more abrupt and the questions were often fielded by Mr Andrew Higginson, finance director. "Jim left us with a superb strategy and a business in good shape to take advantage of future opportunities," he said. "There has clearly been a disagreement at board level and that is all we can say."

Mr Hugh Blakeway Webb, who will become executive chairman in May, did not attend the meeting. Mr Maxmin said he was in negotiations over compensation which is expected to total more than £600,000 after accounting for share options and performance-related bonuses.

Minimum reasons maximise puzzle

Peggy Hollinger considers the surprising departure of Jim Maxmin

The puzzle about the departure of Mr Jim Maxmin from his post as chief executive of Laura Ashley was summed up by one bewildered analyst: "It is bizarre that he has chosen investment as the issue on which to go when capital expenditure in general was above expectations. If you believe the story, then that would imply there was a quantum leap planned for next year."

Such questions dogged the announcement of Laura Ashley's results. Just what had Mr Maxmin been planning and what exactly was the board intending for the future?

The issue was further clouded by the decision to not to give the traditional break down of profits at this stage. The company claimed it was offering enhanced disclosure and, indeed, it did in some respects such as on turnover and operating expenses.

Yet many analysts trying to devise forecasts were left without straightforward facts over such issues as the US losses. It is estimated that the US business, hit by heavy overstocking in 1992, had incurred losses of between £9m and £10m.

Nevertheless, the business appears to be making substantial inroads in recovering those losses. Almost all of the old stock has been sold, leaving prospects for margins looking better than for some time.

Jim Maxmin: replanted Laura Ashley in chic country niche

Mr Maxmin has been criticised for being late to realise the extent of the difficulties in the US. Yet many of his achievements are praised even by those who find his effusive style difficult to accept.

When he arrived in July 1991, the heavily indebted Laura Ashley had been without a chief executive for 13 months. The programme to tackle the £100m debt, involving disposals and factory closures, had begun, but survival left little time for strategic planning.

Mr Maxmin, straight from Thorn EMI, began to preach the "lifestyle brand" gospel, replanting Laura Ashley's image firmly in the English countryside. The chic niche would protect all-important margins which had melted in the volume-driven 1980s.

Laura Ashley

Share price (pence)

Source: Datastream

The chief executive also sought to empower staff with a series of catchily-titled campaigns, such as "Love the Customer", aimed at improving productivity and profitability.

In addition he spent £11m on state of the art computerised point of sales equipment and concluded an innovative distribution deal with National Express which cut down on stock and improved the company's response to demand.

So it is surprising that just as the company begins to reap the benefits of his efforts, Mr Maxmin is leaving. "He has pointed things in the right direction, yet the achievement has yet to be triumphantly realised," said Mr Robert Snaith, analyst with Strauss Turnbull.

Even Laura Ashley executives admit there is much work left to do, particularly given the continuing losses in the US and the maturity of the UK business. Yet there is little option other than to follow the tracks Mr Maxmin has laid.

The main difference, according to analysts, is likely to be a greater emphasis on the operational controls which were certainly lacking in the US.

While the company does not intend to replace Mr Maxmin immediately, the board has been substantially strengthened by the addition of Mr Steven Cotter, the retail executive who is known by some in the City of London as "Mr Detail".

The City is also relieved that there were no nasties in the results following Mr Maxmin's departure, implying steady progress this year towards pre-tax forecasts of £10m.

Nevertheless, there is a degree of uneasiness over the party line that the split was "a mature separation over a disagreement on investment levels" – whatever that means.

"When someone says there was a mature disagreement you know there has been blood on the floor," said one analyst.

Prestwick falls £1.15m into red but sees improvement

By James Buxton, Scottish Correspondent

Prestwick Holdings, the Scottish printed circuit board maker which in January called in Postern, the corporate recovery specialist, suffered losses of £1.95m before tax in the half year to January 31, compared with profits of £106,000.

Mr Archie Coulson, an executive director of Postern who became Prestwick's executive chairman, said, however, that the company's core businesses had achieved improved profits since January, reaching record levels in March. The directors expect the second half to show a "significant turnround".

Prestwick incurred losses of £3.9m in the year ended July 31 because of the failure of the acquisitions strategy of Mr Wayne Osman, the chief executive who resigned last June.

Directors blamed the interim losses on the decision to abort an acquisition supported by Mr Osman and to the cost of Postern's services. In addition, £652,000 has been included as an exceptional item following the decision to close Northumbria Circuits, a purchase made under Mr Osman.

Turnover from continuing operations was unchanged at £17m in the half year. Directors stated that customers had an "impressive share" of the mobile telephone market, and that the company supplied the European car market through Ford and Siemens.

In the absence of distributable reserves no preference or ordinary dividends can be paid. In 1993 there were preference payments of 3.6p per share and an ordinary dividend of 0.5p. Losses per share were 9.44p (0.02p). The board intends to restructure reserves later this year.

Mr Bill Young has left the board and is replaced as finance director by Mr Paul Woodley of Postern. Mr Hugh Laughland, previously chairman, has also left. Mr Kenneth Thompson, former group finance director of Royal Bank of Scotland, and Mr Bill Junor, a company non-executive director with industry experience, become non-executive directors.

Further US blow for GrandMet

By David Wighton

Grand Metropolitan is to lose US distribution rights to Grand Marnier, the orange-flavoured liqueur owned by Marnier Lapostolle, the French family-controlled company.

The rights have been transferred to Schieffelin & Somerset, the US joint venture between Guinness's United Distillers and Moet Hennessy whose parent, LVMH, has an 8 per cent stake in Marnier Lapostolle. The joint venture already distributes Grand Marnier in Japan.

It is another blow to Grand Metropolitan's IDV drinks arm which has just lost the US distribution rights to Absolut vodka.

Grand Marnier sells about 400,000 cases a year in the US and analysts estimate it generates profits of between £10m and £15m for GrandMet compared with £25m from Absolut.

IDV said the two sides had failed to reach agreement on a new distribution arrangement after the current contract expires at the end of this year.

IDV's separate distribution agreements for Grand Marnier in Australia, Portugal, Greece, Spain and Italy will all continue after January 1 1995.

UK distribution of Grand Marnier was recently switched from Matthew Clark to Moet Hennessy.

GrandMet's shares fell 8p to 457p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Finals- Campari Intl, Eys (Wimbledon), Foreign & Colonial Pacific Inv Trust, HCG Lloyd's Inv Trust, Shorco, Wembley.

FUTURE DATES

Interims-	
Compass	May 16
Fisher (Albert)	Apr. 21
McKechnie	Apr. 25
VTR	Apr. 27
Yorkshire-Tyne Tees TV	May 24
Finals-	
Anagen	Apr. 25
Bedford (Wm)	Apr. 28
Bulmer (HP)	July 13
Huntleigh Tech	Apr. 26
Kleinwort Endowment	Apr. 25
Laser-Scan	Apr. 28
London American Growth	Apr. 20
London Electricity	June 15
PCT	Apr. 28
Parambe	Apr. 22
Rosemont	Apr. 27
Sims Food	July 6

NatWest Bancorp advances

By John Gapper, Banking Editor

The pressures on banks from falls in bond and equity prices emerged yesterday when NatWest Bancorp, National Westminster Bank's US retail bank, reported an $8.2m fall in income from its securities portfolio in the first quarter.

The pre-tax result jumped to $69.8m (£47.8m), against $56.7m, while post-tax profits amounted to $62.6m ($60.7m).

Non-interest income fell to $79.7m ($96.5m) because of a fall in securities gains to $2.6m ($10.8m) and a non-recurring $8.7m sale of stock in the first quarter of 1993.

The bank said that its core performance, excluding non-recurring items, had increased by 40 per cent. Net interest income rose to $221.3m ($192.3m). However, the return on average equity fell to 11.61 per cent (13.03 per cent).

Tudor shows losses of £865,000

Tudor, the USM-traded floor and wall tile distributor, incurred losses of £865,000 pre-tax for 1993 reflecting full provision for the closure of its crystal operation and costs of reorganising the tile business.

Turnover rose £1m to £17.7m. The deficit was up from £104,000 last time and came after closure costs of £150,000 and exceptional charges of £243,000 (£74,000). The dividend is again 0.25p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Aegis	fin	nil	-	nil	nil	1.375
Ashley (Laura)	fin	0.1	July 1	0.1	0.1	0.1
Blue Circle	fin	7.5†	July 1	7.5	11.25	11.25
Brooks Service	fin	1	June 7	nil	1.5	nil
Estates & Agency	int	3.5	May 13	0.5	-	7.5
Forte	fin	4.75	-	4.75	7.5	7.5
Hunting	fin	6†	July 1	6	10	10
Ipeco	fin	2.3	June 10	2.3	3.6	3.6
Lamont	fin	9	July 1	8.5	12.5	12
Prestwick	int	nil	-	0.5	-	0.5
Swallowfield	fin	3	May 31	2.2	5.2	4.4
Tudor §	fin	0.25	July 1	0.25	0.25	0.25

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

Biotechnology placing raises £35m

By David Wighton

Zeneca, the bioscience group demerged last year from Imperial Chemical Industries, has taken £5m of shares in International Biotechnology Trust which is being launched by Rothschild Asset Management.

Rothschild announced yesterday that a placing of shares with warrants, with institutions and other investors, including Zeneca, had raised £35.1m – less than half the figure originally hoped for.

Rothschild's target was £100m, including proceeds from a public offer for subscription which opened yesterday.

Mr Jeremy Curnock Cook, a director of Rothschild Asset Management and leader of the investment advisory team, said "in the light of current market conditions I am pleased with the support for the placing".

COMPANY NEWS: UK

Export growth behind 80% rise at Lamont

By Simon Davies

Lamont Holdings, the Northern Ireland-based textiles group, reported a surge in 1993 profits, reflecting strong export growth and a substantial contribution from Alexander Drew, its fabric printing subsidiary.

After two years of decline, pre-tax profits amounted to £11.4m, up 80 per cent on the previous £6.31m. The shares firmed 9p to 433p.

Turnover increased by 18 per cent to £136.1m, with export sales to the Americas and east Asia almost doubled to £17m following the setting up of sales offices in New York and Hong Kong.

Lamont's performance continued to be hampered by losses from its core Shaw carpets business. However, all other group operations experienced growth, and overall, the carpet divisions contributed operating profit of £1.3m, against a small loss in 1992.

Sir Desmond Lorimer, chairman, said profit margins in the carpet division remained weak because of "over-capacity in the industry". This was more than compensated for by the fabrics division, and operating profit margins (excluding discontinued businesses) rose from 6.7 per cent to 9.3 per cent.

Shaw was also affected by a recent capital expenditure programme and an unsuccessful push upmarket. Sir Desmond said in spite of difficult trading conditions it was expected to return to profitability in 1994.

The fabric manufacturing and printing business remained the main contributor, with operating profits of £10.6m. Alexander Drew, which was acquired in April 1992, will be strengthened by the merger with Cunningham Johnson, the recently acquired fabric printer which is on a nearby site.

The results were hit by the elimination of £617,000 of goodwill on the sale of the computer division, partly offset by a £394,000 profit from a property disposal.

At the year end, net borrowings stood at £10m, marginally down from 1992, and gearing fell to 23 per cent.

A final dividend of 9p makes a total of 12.5p (12p), payable from earnings ahead by 59 per cent to 25.57p (16.09p) per share.

Recovery seen as Beauford cuts loss

Losses at Beauford, the engineering and ceramics group which completed a refinancing package earlier this year, were cut from £26.4m to £7.43m pre-tax for 1993.

Turnover of continuing operations slipped from £28.6m to £27.5m and losses per share worked through at 9p (32p).

The 1992 deficit included a £19.5m provision for goodwill in continuing operations.

Sir Trevor Holdsworth, chairman, said trading conditions remained difficult in the second half, but added that there was evidence of a recovery in the last two months which led to a "significant" increase in order intake.

Although that was too late to affect the 1993 results, the trading improvement had spilled over into the current year. Most parts of the group were now operating profitably and further improvement was looked for during the year.

Refinancing included a restructuring of bank debt and the raising of new money via a placing and rights issue. The directors believed the group would have ceased trading without the package.

Scudder enters UK with £50m trust launch

By Bethan Hutton

Scudder Stevens Clark, the US fund management group, is raising its profile in the UK by aiming to raise about £50m by the end of the month through a new Latin American investment trust.

Scudder Latin America Investment Trust will be the group's first venture into the UK investment trust sector, but Latin America is more familiar territory: $2.5bn of the group's $90bn (£62bn) funds under management is in Latin American debt and equities. It has been investing in Mexico since 1979, and has eight specialist Latin American funds, run by a team of 12 based in Boston.

Scudder's activities in London have up to now been limited to a small number of insurance funds. As the name is not yet widely known to the British public, the trust is being launched by means of an institutional placing, and possibly small intermediaries offer, rather than a full public offer.

Scudder said it was confident of attracting sufficient interest in the fund, although it will be the fourth investment trust focusing on Latin America to be launched in the UK this year. The first two, from Morgan Grenfell and Edinburgh Fund Managers, raised less than their initial targets, at £64m and £39m respectively. The offer for Templeton's version has not yet closed, but it raised £37.5m from a placing.

● Beta Global, the emerging markets investment trust, is seeking up to £28.6m of net new equity, through a placing and open offer of up to 30m conversion shares at 100p.

Institutions have already indicated interest in 24.5m C-shares; a minimum of 3m C-shares have been reserved for the open offer, which is restricted to existing share and warrant holders, and closes on May 6. Warrants will be issued on a 1-for-5.13 basis after conversion of the C-shares into ordinary shares. This should be effected by October 31 at the latest.

Passions run high over sugar cane bid

Nikki Tait on Tate & Lyle's attempt to buy two Australian mills

An outward air of normality surrounds the Tully and South Johnstone sugar mills, set in neighbouring villages on northern Queensland's lush, coastal plain.

Their vast crushing plants are undergoing the seasonal overhaul. In surrounding fields, a healthy cane crop promises bumper business when harvesting begins on June 14.

However, stickers plastered across the mill buildings tell a different story. "Crush the Tate & Lyle bid", they demand.

Inside, managers are lobbying local shareholders who hold the key to the British sweetener group's offers, worth A$121m (£58m) in total, by phone.

One local resident, Ms Jessica Hitching, has even mobilised a "women's defence committee". "We're told to buy Australian," she complains, "but the mills won't be Australian anymore ... they'll be English".

The bid battle for the Queensland mills is the most public move Tate has made since acquiring its Australian subsidiary, Bundaberg Sugar, in 1991 – and it is proving neither easy nor speedy to complete.

Only today, six months after the opening salvos were fired, will the tussle reach a crucial stage. Shareholders in the South Johnstone mill are due to vote on a proposal to lift a restriction which bars anyone from holding more than 3.2 per cent of the mill's shares. Only if they agree, and by a 75 per cent majority, can the Tate offer proceed.

In this tightly-knit community, where many of the shareholders are direct descendants of the Italian and Maltese immigrants who established the first farms, passions run high and no one will admit defeat. "I'm smiling," says Mr Fred Lizzio, chairman of the South Johnstone mill. "We're confident", retorts Mr Rod Young, Bundaberg's company secretary.

The one point on which both sides agree is that the deal would make sense for Tate. Via Bundaberg, it already owns mills at Babinda and Mourilyan, directly to the north, and synergies could flow.

Sugar prices have also improved, and both Tully and South Johnstone have been investing in their plants. Profits from both mills rose strongly last year and are forecast to do better still. Moreover, Tully and South Johnstone have better potential for expanding their catchment areas, and increasing throughput, than Bundaberg's existing mills. In Queensland, cane can only be grown on acreage assigned for this purpose, but Tully, in particular, has earmarked various tranches of nearby land from which it thinks additional tonnage could be sourced in the future.

The problem for Tate is that the mills' shares are owned largely by local cane growers, whose livelihoods are directly affected by the way in which the mills are run. While the bidder claims that its cash offer represents a "unique" opportunity to realise a good price for the mills' unlisted stock, at least some of the growers have broader concerns.

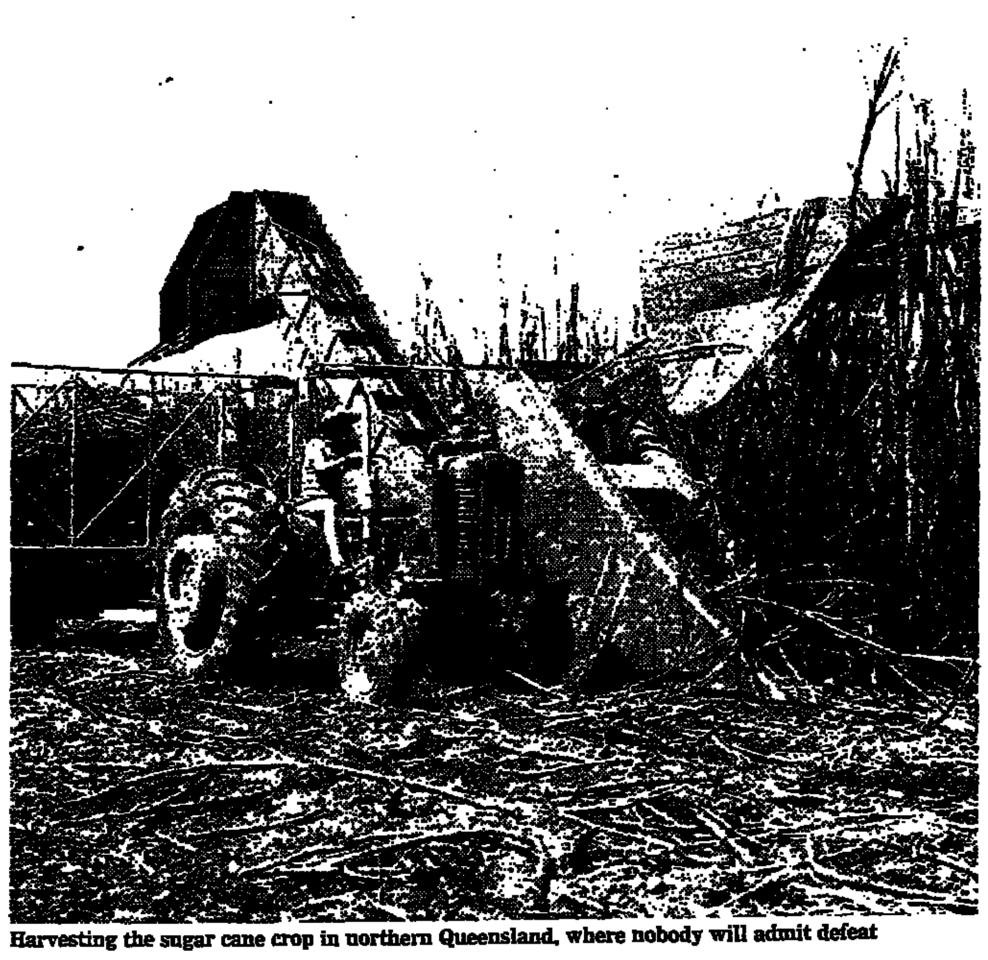
"What the mill does affects my business – and at present, it's run as a farmers' mill," says one South Johnstone shareholder.

Asked to elaborate, growers who oppose the bids present a list of worries. The first is maintenance. Growers cut and deliver cane to their respective mills under a highly-organised system, which aims to ensure that everyone gets fair treatment. But if mechanical failures interrupt the crushing process, cane which has been burnt quickly becomes perishable.

Some farmers point to last year's breakdowns at the Babinda mill, and worry that Tate – with more interest in mill profits than cane growers' income – might prune maintenance expenditure.

Tate, not surprisingly, denies this. "Babinda was an old mill when we bought it," says Mr Young, adding that money has been spent on it subsequently, and denying any maintenance cuts.

Next, there is the question of maintaining the cane railway – a network of tracks which allow farmers to bring the crop to the mill. Might Tate be less inclined to replace track to outlying areas? Then there is the question of what price the "cane-dirt" – extracted in the crushing process and returned to farmers for use as fertiliser – might be sold by Tate. And so on.



Harvesting the sugar cane crop in northern Queensland, where nobody will admit defeat

Such uncertainties, moreover, come at a delicate time for Australia's sugar industry. Historically, this has been heavily regulated, with the state government buying up Queensland farmers' production at an "award" price, and limiting the land on which cane can be grown. Now, in the current "free trade" atmosphere, and with Australia committed to deregulation throughout the economy, this structure is likely to change – although no one is sure exactly how.

As Mr Lizzio puts it: "Deregulation is rather frightening if you've only got one buyer".

But the mill boards have a problem, too. Not all shareholders are either growers, or growers who expect to be in the business for the long-haul. While the mills claim that the bid prices are inadequate, these do represent a substantial advance on the levels at which shares had been changing hands prior to Tate's arrival. South Johnstone, for example, traded at about A$3-A$4, while Tate's final offer has been pitched at A$14.

The mills' answer is to merge and then list on the stock exchange – thereby accommodating those shareholders who would like to cash in all or part of their holdings. At present, however, no firm plan is on the table, although Mr Rino Cargnello, who chairs the Tully board, says proposals should be presented "within the next month or two".

The drawback is that this scheme, too, would require a 75 per cent majority of both mills' shareholders. Both boards, meanwhile, say that they would look for some sort of anti-takeover protection for the merged group, probably by way of state government legislation.

In short, the potential obstacles which surround the flotation idea are considerable and it is by no means guaranteed that shareholders would have a ready market for their shares in the near future.

Perhaps the most indisputable point made by the mills is that a six-month war of attrition is long enough.

Already, the battle has led to court actions, and the bid costs are approaching A$250,000 for each mill – money which the growers see vanishing before their eyes.

Tate, however, says it will wait until today's vote before deciding what to do next. "Our assessment will be governed by today's result," says Mr Young.

COMPANY NEWS: UK

Hunting at £32m with help of exceptionals

By Tim Burt

Property disposals and the sale of subsidiaries last year helped Hunting defy the recession in its aviation, defence and oil businesses.

Exceptional items totalling £8.1m underpinned a slight increase in pre-tax profits to £31.7m in the 12 months to December 31, against £29.2m last time.

The shares, however, fell 14p to 215p after the group showed a 16 per cent decline in operating profits to £29.1m (£34.6m).

Mr Kenneth Miller, chief executive, blamed the operating downturn on hefty restructuring costs of £5.8m and trading losses at subsidiaries which have since been sold.

The reorganisation centred on the aviation business, where the group made £2.9m of provisions to cover redundancies, the cost of selling Hunting Aircraft – its lossmaking US subsidiary – and the amalgamation of more than 30 companies into five sub-divisions.

Operating profits in the aviation division, which suffered from deferred orders and production cuts, fell from £11.6m to £5m and the workforce was reduced by 150 to less than 2,000.

Mr Miller, who warned a further 150 jobs would go this year, said: "It was a skinny performance and the business is not generating an adequate return on investment. The restructuring will change that but it's not going to recover in a hurry."

The problems were partially offset by improved results in the defence and oil divisions.

A nine-month contribution from the management contract for the Atomic Weapons Establishment boosted defence profits to £14.6m (£9.3m). The group made a £2.3m provision for relocating its communication technology business.

The oil division saw profits increase by £1.9m to £17.8m despite the falling price of crude, which it markets and supplies in North America.

Group turnover improved from £809.8m to £1.06bn, including £6.7m (£30.1m) from discontinued activities. Earnings per share fell from 15.7p to 13.6p, and a final dividend of 6p is proposed for an unchanged 10p total.

● COMMENT

With £15m of surplus property still on its books, there is nothing to stop Hunting selling further assets to buoy this year's figures. It is an attractive option given the fragility of the aviation and defence markets and the recent slide in the oil price. But the balance sheet has been strengthened by last year's £37m rights issue, cutting gearing from 78 per cent to 35 per cent, and that will allow the group to develop its underlying businesses. It may take some time, however, for the benefits of new orders to feed through. So although profits this year could reach £33m on a forward multiple of 15.5, the shares could prove a costly short-term option.

Going for gold as rivals drop out

Kenneth Gooding on the fortunes of Cookson as it focuses on precious metals

It is the hope of every company in an overcrowded and competitive market that some of its rivals will pack up and leave. It is rarely fulfilled.

Yet that is what has enabled Cookson to emerge as one of the world's five biggest suppliers of semi-fabricated precious metals to the gold jewellery and silversmith industries.

In the past four years the specialist industrial materials group has been hauled back from financial disaster by a new management team led by Mr Richard Oster, chief executive.

He is now busy refocusing the group. It is withdrawing from non-core businesses such as the engineering operations, sold recently, while precious metals fabricating has been carefully reconstructed to become one of the biggest core divisions.

In North America Cookson was already the largest fabricator of gold for the jewellery industry, processing more than 1.5m troy ounces of gold and several million ounces of silver. This followed the merger five years ago of the two biggest US companies, Stern and Leach. Cookson took full control in 1992.

Its biggest rival in the US quit in 1991. Engelhard, the precious metals group ultimately controlled by the Anglo American Corporation of South Africa, first attempted a sale to Degussa of Germany but the deal fell through and companies were either sold individually or closed.

This left Cookson's Stern Metals business, based in Attleboro, Massachusetts, with 70 to 80 per cent of the US market for supplying gold to the jewellery industry and 50 per cent of the silver market.

The next step was obvious: tackle Europe.

In February last year Cookson made a start by buying some of the assets of Knight & Day in the UK from the receiver for a knock-down £350,000. It took on the staff of 105 but the number is now down to 62.

Then in December it paid £37m, including £20m for precious metals stocks, for the jewellery materials operations of Johnson Matthey, another company ultimately controlled by Anglo American.

With annual sales of £44m, JM was the UK market leader. Its operations in Dublin and Birmingham have been merged with those of Knight & Day (also in Birmingham) and the combination renamed Cookson Precious Metals.

Some analysts suggest that Cookson's move into the UK market and its obvious intentions of becoming a serious force in continental Europe triggered JM's decision to move out. JM said the business did not fit its strategy and that it was achieving only a 2 per cent return on net assets against a required level of 20 per cent. Stern is sure CPM can reach the 20 per cent target, mainly because of bookkeeping differences. JM bought all its precious metal, but Stern's policy is to lease metal.

Mr Jake Conley, president of Stern, said the JM acquisition gave Cookson the critical mass to compete in western Europe with the likes of Degussa as well as Hereaus of Germany and CLA (Chaudronnerie Légère d'Argenteuil) of France. He said: "This is a mature business with little growth. But the last survivor is going to do well and we [Cookson] are heading in that direction."

He would not be surprised to see Handy & Harman, the remaining big competitor in the US, quit, or to see CLA give up in Europe. He also suggested it was likely that Engelhard would ease out of the remnants of its jewellery materials business in the UK.

Stern Metals had sales of $230m (£158m) and an operating profit of $26.1m last year for an 11.4 per cent return on sales, up from $204m, $22.6m and an 11 per cent return in 1992.

The group employs 527 people and specialises in turning alloys containing pure gold and silver into more than 2,000 different items such as metal wire, sheet, tubing and casting grains. Its customers make these into anything from cheap, 14-carat gold chains to some of the most expensive jewellery in the world.

Cookson's products are used in all kinds of jewellery from the cheap to the most expensive

The activities also include APM-Sterngold, the oldest dental attachments company in the US, which processes more than 50,000 ounces of precious metals annually and last year reported a remarkable 73 per cent return on net assets.

Mr Fred Hammerle, Stern's chief operating officer, suggested the success sprang partly from its "incentive-driven" workforce. For example, the Stern-Leach mill products operations have an incentive scheme called TCP – Teamwork + Cost Control = Profit – which last year paid a total of $1.8m, equivalent to nine weeks pay, for each of the 452 people included. The minimum payment was $2,761 and the maximum more than $25,000.

Mr Dick Smith, president of Stern-Leach, explained: "The scheme encourages people to work smarter, do their own quality control. They don't make scrap. There is more awareness of how the job should be done. They don't want us to hire more people. They don't like people goofing off."

With more than 1,600 customers, many of them small businesses, credit control is also an important element in Stern's success. Any debt above $200,000 must go to the credit committee. Customers get 30 days to pay and then are charged at an annual rate of 15 per cent up to 60 days.

Some of this expertise can be passed on to the newly-acquired UK companies, as can many of Stern's production techniques – although Stern also expects to learn from the former JM people. Transatlantic exchanges of key production people already are being made.

Mr Conley says that tube, sheet and wire will be exported from the US, where there is very little incremental cost when output is increased, to the UK for reworking. This should shorten UK delivery times.

"Our main priority will be to rationalise the mill and dental operations. That should take nine months."

Then CPM would start looking seriously at exporting to Spain, Greece, east Asia and Australia. JM's export experience would be of great value. Also, JM's contacts with Britain's National Health Service should help the US dental business.

"But first we have to digest what we have so far. We want to make sure Cookson gets the return we promised."

Mr Geoff Allum, analyst at NatWest Securities, saw no reason why targets would be missed.

"With a good management team and a high market share you can rake it in. I can't see what's to stop them taking Europe by storm."

Holiday Inn's budget hotel chain heads for Europe

By Ronald van de Krol in Amsterdam

Holiday Inn, the hotel chain owned by Bass, the brewery and leisure group, plans to extend its budget hotel chain, Holiday Inn Express, to Europe.

The company said it hoped to open more than 100 Holiday Inn Express hotels over the next five years, mainly in Germany, central Europe, the UK, Spain and France. The target customer is the "budget-conscious" business and leisure traveller.

In the UK, the hotels will compete with chains like Travelodge, which is owned by Forte. In France and Germany they will be pitted against the Ibis Hotel chain owned by the Accor group of France.

Most of the hotels will be located along motorways and on secondary sites near main cities, rather than in city centres. Rooms will cost an average $55 (£38) a night, including breakfast – considerably less than the prices charged at standard Holiday Inns or at the more expensive Holiday Inn Crown Plaza hotels.

Holiday Inn Express hotels were launched in the US in 1990, and plans to extend them to Asia were announced in late 1993.

Mr Bryant Langton, Holiday Inn chairman, said: "Given the success of this product around the world, I see no reason why we here in Europe could not have more than 100 Holiday Inn Express hotels in the next five years."

As with other Holiday Inn hotels, the emphasis will be on franchising rather than outright ownership by Holiday Inn. Some will be purpose-built as Holiday Inn Express hotels, while others will be existing hotels that join the Holiday Inn organisation.

The investment cost to the developer is expected to range between $45,000 and $50,000 per room, about half the outlay for the upmarket Holiday Inn Crown Plaza hotels, whose prime city-centre locations mean higher land prices.

The company has already signed agreements covering the opening of 20 hotels in Poland and one in Germany, with talks on four other German sites currently underway.

The first German hotel will open in Cottbus, a city located between Berlin and Dresden, in the spring of 1995.

NEWS DIGEST

Recovery continues at Storm

Storm Group, the USM-traded multi-media concern, continued its recovery during the second half of 1993 and ended the 12 months with pre-tax profits amounting to £122,000, compared with losses of £2.1m restated in accordance with FRS 3.

The directors said they intended to undertake a capital reorganisation which would enable the group "to commence paying dividends as soon as possible".

Turnover fell from £6.04m to £5.23m but there were operating profits of £311,000 (£2.03m losses), after much lower exceptional debits of £107,000, against £2.05m.

The pre-tax figure was after higher interest of £189,000 (£52,000).

Earnings per share were 0.2p against losses last time of 2.8p.

Directors stated that during 1993 there was an encouraging increase in sales of the group's television portfolio and strong interest in a number of its character properties.

The production facilities studio also contributed to profits, they added, with two series completed during the year.

Brooks Service back in the black

In spite of fierce competition that led to price reductions in many areas, Brooks Service Group, the textile rental and retail services company, swung from losses of £392,000 to profits of £323,000 pre-tax for the year to December 25.

Turnover was marginally lower at £23.9m (£24.2m) but interest charges were cut to £348,000 (£532,000).

Earnings per share emerged at 3.13p (losses 1.76p) and a proposed final dividend of 1p makes a total of 1.5p (nil).

Although trading conditions continued to be difficult the directors said there were "encouraging" signs in some areas. Actions taken had "laid a good foundation" for improved profitability.

Year-end gearing was reduced to 46 per cent (58 per cent).

The shares closed 1p higher at 70p, after 74p.

Ipeco declines 29% to £2.35m

Ipeco Holdings suffered a 29 per cent fall in 1993 pre-tax profits. The aviation and defence industry supplier blamed the decline on poor conditions in the civil aerospace sector.

After restructuring costs of £200,000 the pre-tax figure was £2.35m (£3.3m).

Turnover was slightly higher at £20.3m (£19.9m).

The company said despite cost reductions, order rescheduling left the core flight deck equipment business lower. Trading in the other subsidiaries was mixed with good results from the smaller aerospace operations and steady progress in the second half in some defence-related areas.

Earnings per share were 5.45p (7.72p) but the board is recommending an unchanged final dividend of 2.3p, maintaining the total for the year at 3.6p.

Swallowfield 28% ahead to £1.63m

Swallowfield, the aerosol and cosmetics manufacturer, announced 28 per cent growth in pre-tax profits, from £1.27m to £1.63m, for the year to December 31.

The advance was achieved on turnover ahead 23 per cent to £28.6m (£23.2m). Mr Terry Organ, chairman, said that with the current level of inflation it had been difficult to increase prices and the result reflected a rise in unit sales and improved efficiency.

Earnings per share rose to 9.6p (7.3p) and a proposed final dividend of 3p lifts the total from 4.4p to 5.2p.

Faber Prest joint venture in Singapore

Faber Prest, the industrial and distribution service group, has entered the growing south-east Asian market with the acquisition of a 45 per cent stake in a subsidiary of NatSteel Singapore, for a maximum S$1.98m (£855,000).

Faber has also entered a joint venture agreement with Nova Hut AS Steelworks, Ostrava, the largest steel producer in the Czech Republic. The agreement establishes the company as the leading supplier of specialist slag reclamation services in that country.

In addition, BHP New Zealand Steel, to whom full steel mill services are provided, has approved in principle an increase in activities and an extension of the existing contract term to the year 2008.

Faber also reported that Babcock International had dropped its legal action against the company.

BP sells interest in Hikurangi estate

British Petroleum has agreed to sell its interest in the Hikurangi forest estate in New Zealand to Fletcher Challenge, its joint partner in the venture, for $71m (£48.6m).

BP's interest, comprising 35,800 acres, is out of a total of 58,000 of radiata pine. The sale is scheduled for completion on April 29.

One-off items hit Estates & Agency

A number of one-off items left pre-tax profits at Estates & Agency Holdings, the property investment company, lower at £283,000 for the six months to December 31, against £416,000.

The company said that costs relating to the sale of a site in Plymouth, offset by non-recurring income, cut operating profits by £340,000 to £249,000 (£416,000).

The sale resulted in an exceptional credit of £34,000 being the net surplus over the latest valuation.

Gross income was £2.65m (£2.48m). Earnings per share came out at 3.94p (6.89p). The interim dividend is raised to 3.5p (0.5p).

COMMODITIES AND AGRICULTURE

Silver's bull run written off as hedge funds sell

By Kenneth Gooding, Mining Correspondent

The "audacious" foray into the silver market by the US hedge funds is coming to an end, according to Mr Ted Arnold, analyst at the Merrill Lynch financial services group.

The weight of physical selling of silver following its price rise and a fall in demand in India, the biggest market for the metal, "suggests that $6 to $6.50 [a troy ounce] silver are unattainable levels unless the funds want to throw huge resources into the market."

Recent evidence suggests the funds are doing the opposite and starting to realise their profits, says Mr Arnold in Merrill's Weekly Futures Report.

He suggests the funds' physical silver holdings, built up over the past six months, are probably in their books at an average of about $4.80 to $4.90 an ounce compared with the average spot price for the period of $4.95. Last night silver closed in London up 1 cent at $5.29½.

Mr Arnold points out that the average London spot price in 1993 was $4.29 after $3.94 in 1992. So many producers, smelters and stockholders perceive $5.50 an ounce to be a high price and try to sell when the price rallies above $5.50.

"Meanwhile, in Europe physical silver continues to flow into vaults from the Commonwealth of Independent States, the Middle East and, to a lesser extent, from Asia."

Mr Arnold said last night that "a large nail in the silver bull's coffin" was the revelation by Bankers Trust last Friday that it had moved all but 1m ounces of its silver from New York Commodity Exchange warehouses to vaults at Chase Manhattan Bank. Four months ago Bankers Trust had more than 25m ounces of silver in Comex warehouses and since then total Comex stocks have fallen by about 35m ounces. Some traders cited the fall in Comex stocks as a factor in silver's rally in recent months to a 4½-year peak.

MARKET REPORT

Crude futures at 1994 highs

London OIL futures yesterday hit 1994 peaks in a rally sparked mostly by tighter North Sea supplies and brisk demand. At the International Petroleum Exchange May delivery Brent Blend traded up to $15.15 a barrel, the highest for a prompt contract since November 24 and the first time it had topped $15 since February 3.

COFFEE prices remained weak throughout the day at the London Commodity Exchange, the second month ending at the day's lows in an expected correction following recent strong gains.

London Metal Exchange ALUMINIUM prices broke lower but just about managed to hold above a $1,305 a tonne for three months delivery as Chinese interest continued to appear on price dips. The price closed at $1,308 a tonne, down $8 on the day.

NICKEL prices bounced smartly in the afternoon, with the market capitalising on good downside support below $5,600 a tonne, virtually to erase early losses.

LEAD prices collapsed during the after hours "kerb" session, with stop-loss selling orders triggered below $460 a tonne, following Wednesday's failure above $470.

Compiled from Reuter

Ashanti puts the gold back into the Gold Coast

Paul Adams on next week's flotation of the jewel in the crown of Ghanaian mining

When Ashanti Goldmines Corporation is floated on the London Stock Exchange next week the Ghanaian government will have put in place the most important part of its privatisation programme.

It already has divested most of the State Gold Mining Corporation's stakes in local mines, usually retaining 10 per cent of these ventures. In the case of Ashanti, the jewel in the crown, it is reducing its shareholding from 55 per cent to 31.3 per cent.

Since new mining laws in 1986 opened Ghana's moribund mining industry to foreign capital and expertise, Australian mining companies have been particularly ready to lead the way with investment and management, bringing with them their expertise in open pit mining.

For example, the share price of Golden Shamrock in Australia has risen sharply since in late 1992 it began producing gold at the Iduapriem mine, some 100km south of Ashanti.

Golden Shamrock is the main shareholder in Ghanaian Australian Goldfields, a $65m joint venture with the International Finance Corporation and the Ghanaian government. The mine, which in 1992 had more than 1m troy ounces of proven and probable gold reserves, is producing about 110,000 ounces a year.

Two junior Australian companies, Ranger Minerals and Associated Goldfields are also investing in the region. Ranger has raised A$27m for Abosso Gold Fields, a mine close to Iduapriem. Kiwi Gold Fields is financing a small property south of Ashanti. Meanwhile, the Southern Cross mine has been acquired by Obenomase Gold Mines, 90 per cent owned by Turnbull Doyle Resources of Australia, which is seeking a stock market listing.

Some South African companies have also been attracted to the region by the relative political stability of Ghana and low production costs. Gold Fields of South Africa bought Tarkwa gold mine in western Ghana from the state mining corporation last year and since July has doubled production to 4,000 ounces a month while halving the workforce to 1,400.

Johannesburg Consolidated Investments is to manage Prestea, near Tarkwa, at present state-run. Billiton, part of the Royal Dutch/Shell group owns the Bogosu mine, one of the assets Gencor of South Africa hopes to acquire from the oil group. Bogosu is producing about 100,000 ounces of gold a year.

Cluff Resources of the UK is developing a 30,000-ounces-a-year gold mine at Ayanfuri, west of Dunkwa. Further north, Pioneer Corporation, another Australian company, has taken over the mine at Teberebi and increased the production rate from 160,000 ounces last year to 240,000 ounces. The Canadian group Bonte Gold has bought an alluvial gold mine and begun trial production at about 1,200 ounces a month.

Of course none of these can compare with Ashanti, one of the world's richest gold mines. Ashanti's production has increased threefold since 1986 from 242,366 to 770,410 ounces in the financial year ending September 1993. The company's expansion programme is ahead of schedule and it expects output to reach 1m ounces by 1995, which would make it one of the the world's top 10 gold producers.

Ashanti's 1993 after tax profits were $90.5m, up from $60.6m the previous year. Production costs are in the lowest 20 per cent worldwide. According to Mr Sam Jonah, Ashanti's chief executive, the mine is poised for substantial expansion. "There is no reason why this mine should not go on producing 1m ounces a year for the next 50 years," he says, "particularly now we have an aggressive exploration programme for the first time in our history.

"The aggregate of the company's proven and probable ore reserves has increased to 18.1m ounces from 16.8m. For five years running new delineated gold reserves have exceeded production."

Ashanti has just acquired a 140 sq km concession for exploration, adjoining the existing 256 sq km at the Obuasi site, about 180km north of Accra. Last year cash operating costs were $173 an ounce, rising to $253 if depreciation and royalties were included, against an average market price over the year of $357 an ounce.

Industry analysts rate Ashanti as one of the world's finest gold prospects. Its strength lies in the variety of ore deposits extracted from both deep mines and open pits. Material is treated by four separate processing plants. The open pit operations, begun in 1990, cut production costs and funded the investment in the underground infrastructure, which is expensive to develop but opens the way to much bigger deposits.

Apart from the volatility of the gold market the investment risks in Ashanti are linked to Ghana's political future. President Jerry Rawlings' government has been the leading exponent of economic liberalisation in black Africa, but the favourable investment in Ghana will depend on a continuation of his policies, backed by the International Monetary Fund.

Ashanti's recovery in the 1980s and the current $305m Ashanti Mine Expansion Project have been funded partly by the IMF's offshoot, the International Finance Corporation and participating lenders. The management believes that the flotation will free Ashanti from the "shackles" of the IFC, giving it the flexibility to develop mining operations elsewhere in Ghana and abroad.

Since the 1970s Lonrho has been the other major shareholder in Ashanti; with 45 per cent, and has managed the operations. The company's first flotation is a complex transaction, with two offers on the Ghanaian stock exchange and one in London. When dealing starts next week the shares will be tradeable simultaneously in both markets.

The company is taking the opportunity to raise new money by issuing 3.5m new shares, which will dilute Lonrho's holding to 43.1 per cent. The Ghanaian government and Lonrho have undertaken, subject to certain exceptions, not to increase or decrease their shareholdings for two years. The government will retain a "golden share" to protect Ghana's national interest.

International advisers to the flotation, stockbroker James Capel and merchant bank Morgan Grenfell, have indicated a price range between $17 and $20 a share, which values Ashanti at $1.42bn to $1.67 bn. The price will be finally be fixed when dealing starts in London on Tuesday.

Shares worth at least $68m are being offered to Ghanaian and other West African investors. This is equivalent to 45 per cent of the previous total capitalisation of companies quoted on the Acra stock exchange, and is over 10 per cent of Ghana's total bank liquidity. Some 10,000 Ashanti employees are to receive five free shares each in the floatation.

Financial Times Gold Mines Index

The FT Gold Mines Index Committee has announced that Ashanti Goldfields appears likely to meet the eligibility requirements of the FT Gold Mines Index after its scheduled public listing on April 26. The stock is expected to be added to the Index with effect from April 27.

Producers silent on rubber pact stance

Rubber producers at the United Nations-sponsored negotiations here on a new international accord were yesterday still refusing to outline their position publicly, reports Reuter from Geneva. And with just one more day to go to wrap up the 10-day 28-nation conference, observers were suggesting that might result in delegates having to return home empty-handed.

"It's difficult to say, we're still in discussion. . . I have no details yet," said the rubber exporters' spokesperson Ms Rosediana Suharto, director of the Indonesian Export Training Centre at the country's Department of Trade.

But experienced negotiators were not entirely negative.

"Just because the producers are not talking doesn't mean they might not try to strike a last-minute deal in informal discussions," an official close to the conference secretariat said.

"If they appear to be agreeing now, they might give away some bargaining power later on today." And an African producer delegate said: "There are not many disagreements within the producers' group, it's going better than the cocoa talks".

But a producer delegate from one of the top three Asian growers was less hopeful. "We haven't narrowed it down enough," he said.

"If we don't get something to deal on by tonight, the talks will have failed," European Union representative Mr Derek Taylor said. But he knew of a number of private consultations later on.

Success or failure depended on just a few articles within the envisaged treaty, officials said. The two sides still differed on the reference price, the price range to be defended by buffer stock operations and how to review and revise the price.

Low oil prices should not trigger energy crisis, says IEA chief

Current low oil prices should not lead to an energy crisis, despite concerns that they could discourage oilfield development or create bitter feelings among producer nations, the chief of the International Energy Agency said here yesterday, reports Reuter from Kyota.

Ms Helga Steeg, IEA executive director, in Japan to attend an IEA board meeting, suggested that serious energy shortages could be averted if consuming and producing countries created a co-operative environment.

She said the agency had held many talks with producer nations and oil companies since the Gulf War to discuss the long-term outlook as well as the investment climate, and: "Oil companies have said prices are an important element but not the only element [in deciding development projects]".

Ms Steeg added that producing countries, most of which were still economically in the development stage, needed western world funds and technology and were interested in co-operating with consumer nations.

One IEA idea was to create a two-way investment flow, in which western oil companies invested in upstream sectors in producing countries and producers invested in downstream sectors – such as petrol stations – in consumer nations, she explained.

That would enable the producing countries to "see with their own eyes and experience what the problems are."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1284.5-5.5	1309-9.5
Previous	1294-5	1320-20.5
High/low		1316/1305
AM Official	1289.5/90.5	1314-4.5
Kerb close		1308-8.5
Open int.	266,188	
Total daily turnover	56,593	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1340-50	1330-2
Previous	1323-8	1323-5
High/low		1335/1320
AM Official	1323-8	1323-8
Kerb close		1330-2
Open int.	4,611	
Total daily turnover	583	

■ LEAD ($ per tonne)

Close	445.5-6.5	460.5-1.0
Previous	457.5-8.5	472.0-2.5
High/low		468/456
AM Official	447-7.5	461-1.5
Kerb close		456-7
Open int.	33,692	
Total daily turnover	5,449	

■ NICKEL ($ per tonne)

Close	5535-45	5605-15
Previous	5560-70	5630-35
High/low		5630/5580
AM Official	5512-5	5590-5
Kerb close		5630-5
Open int.	53,527	
Total daily turnover	8,990	

■ TIN ($ per tonne)

Close	5445-55	5505-10
Previous	5490-5	5545-50
High/low		5520/5505
AM Official	5455-60	5510-15
Kerb close		5515-20
Open int.	18,212	
Total daily turnover	5,660	

■ ZINC, special high grade ($ per tonne)

Close	932.5-3.5	953-4
Previous	941.5-2.5	962-4
High/low		959/952
AM Official	935-6	956-6.5
Kerb close		952-2.5
Open int.	101,385	
Total daily turnover	16,207	

■ COPPER, grade A ($ per tonne)

Close	1863.5-4.5	1882-3
Previous	1885.5-6.5	1901-2
High/low	1866.5-/1866	1891/1876
AM Official	1866-6.5	1883-3.5
Kerb close		1881-2
Open int.	197,700	
Total daily turnover	61,576	

■ LME AM Official £/$ rate: 1.4746
LME Closing £/$ rate: 1.4738

Spot:1.4771 3 mths:1.4730 6 mths:1.4704 9 mths:1.4667

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Apr	86.80	-0.25	86.80	86.80	430	91
May	86.85	-0.30	87.15	86.10	22,312	98
Jun	86.95	-0.25	87.25	86.55	755	58
Jul	87.10	-0.20	87.30	86.30	16,801	63
Aug	87.10	-0.20	-	-	434	5
Sep	87.15	-0.20	87.15	86.55	5,046	1
Total					56,233	674

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	377.25-377.75	
Opening	377.60-378.00	
Morning fix	378.55	256.696
Afternoon fix	377.65	255.653
Day's High	381.50-382.00	
Day's Low	376.25-376.75	
Previous close	378.00-378.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.37 6 months 3.75
2 months ....3.42 12 months 4.20
3 months 3.48

Silver Fix	p/troy oz.	US cts equiv.
Spot	362.30	534.00
3 months	366.65	538.85
6 months	371.40	544.65
1 year	382.35	559.90

Gold Coins	$ price	£ equiv.
Krugerrand	379-382	257-260
Maple Leaf	388.15-390.06	-
New Sovereign	89-92	60-63

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Apr	378.6	+0.4	378.6	376.5	734	39
May	379.4	+0.3	-	-	22	-
Jun	380.3	+0.3	382.5	377.8	82,439	26,393
Aug	382.9	+0.3	384.8	380.6	11,339	2,913
Oct	385.8	+0.4	387.4	383.8	5,204	216
Dec	388.7	+0.4	391.0	386.0	14,202	246
Total					139,451	30,652

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Apr	397.7	-3.0	402.0	397.5	104	10
Jul	401.1	-2.1	406.0	398.5	18,884	1,644
Oct	402.3	-2.1	407.5	400.0	1,792	47
Jan	403.1	-2.1	-	-	658	4
Apr	404.5	-2.1	405.0	405.0	878	1
Total					22,316	1,706

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Jun	132.90	+0.15	134.00	130.50	3,556	107
Sep	132.90	+0.15	132.25	131.00	423	2
Dec	132.90	+0.15	131.00	131.00	262	-
Total					4,241	108

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

Apr	530.7	-	-	-	101	100
May	531.5	-	536.0	528.0	58,680	10,964
Jun	533.5	-	533.0	533.0	11	-
Jul	535.7	+0.1	540.5	531.0	24,043	1847
Sep	540.1	+0.1	545.0	535.0	5,732	69
Dec	546.9	+0.2	553.0	543.0	10,355	314
Total					111,899	13,926

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
May	16.13	+0.16	16.24	15.83	74,619	53,338
Jun	15.98	+0.14	16.10	15.73	93,746	39,834
Jul	15.92	+0.07	16.08	15.76	46,394	16,942
Aug	15.95	+0.04	16.13	15.80	27,730	3,740
Sep	15.97	-	16.08	15.87	21,478	3,032
Oct	16.04	-0.01	16.08	15.95	12,921	1,989
Total					413,549	125,084

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
May	15.00	+0.30	15.15	14.85	39,198	23,510
Jun	14.76	+0.23	14.93	14.56	63,498	24,824
Jul	14.70	+0.18	14.80	14.51	23,254	6,587
Aug	14.71	+0.10	14.78	14.51	14,596	2,576
Sep	14.71	+0.06	14.82	14.57	7,680	1,001
Oct	14.86	-0.10	14.86	14.65	3,180	655
Total					159,123	60,488

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
May	46.25	+0.43	46.40	45.80	38,623	11,325
Jun	45.95	+0.28	46.25	45.46	39,192	5,077
Jul	46.15	+0.23	46.30	45.70	30,101	2,428
Aug	46.70	+0.13	46.80	46.40	11,714	737
Sep	47.60	+0.03	47.60	47.60	9,569	256
Oct	49.60	-	-	-	7,015	103
Total					166,180	20,955

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	149.50	+2.50	149.75	146.75	25,330	6,835
Jun	147.25	+2.00	148.00	145.50	20,935	4,599
Jul	147.25	+1.25	148.00	145.50	13,547	1,730
Aug	148.00	+0.75	148.50	146.75	5,354	1,527
Sep	149.00	+0.25	150.00	148.25	4,046	1,645
Oct	152.00	+0.25	152.25	151.75	5,357	223
Total					94,663	17,445

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
May	2.150	+0.019	2.160	2.135	20,872	7,944
Jun	2.137	+0.009	2.150	2.135	13,136	2,868
Jul	2.130	+0.007	2.135	2.125	11,531	1,555
Aug	2.140	+0.002	2.150	2.135	10,418	1,060
Sep	2.165	-	2.170	2.155	10,931	389
Oct	2.195	-0.005	2.200	2.190	6,678	336
Total					123,864	15,594

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
May	49.25	+0.46	49.30	48.50	52,854	11,718
Jun	49.45	+0.31	49.60	48.85	35,036	8,100
Jul	49.30	+0.16	49.50	48.90	17,774	1,841
Aug	48.80	+0.01	48.90	48.50	10,945	378
Sep	47.95	-0.24	48.15	47.95	6,725	181
Oct	46.72	-0.02	46.72	46.72	1,224	36
Total					128,714	28,284

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	116.90	+1.50	117.75	114.90	1,171	378
Jun	117.25	+1.25	118.20	115.50	1,101	222
Sep	95.50	+1.10	95.40	95.05	456	4
Nov	97.00	+1.35	97.00	95.65	1,264	65
Jan	98.95	+1.20	98.90	97.75	683	71
Mar	100.00	+0.90	-	-	285	-
Total					4,960	740

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

May	327/0	-4/0	330/4	325/6	59,855	6,955
Jul	316/6	-7/2	323/4	316/4	120,325	21,585
Sep	319/2	-7/0	325/0	318/6	24,170	1,290
Dec	327/4	-6/6	333/2	327/4	27,955	1,475
Mar	329/6	-6/2	334/0	328/2	1,400	-
May	326/6	-6/2	-	-	5	-
Total					234,085	31,425

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

May	265/0	-5/2	270/0	264/6	421,830	87,830
Jul	267/6	-5/0	273/2	267/4	618,965	86,425
Sep	260/2	-5/0	265/0	260/0	139,415	5,920
Dec	253/2	-4/2	257/4	253/0	360,860	42,565
Mar	259/2	-4/6	264/0	259/2	27,255	6,040
May	264/4	-3/6	267/4	264/4	2,655	20
Total					1.563M	228,270

■ BARLEY LCE (£ per tonne)

May	109.80	+0.30	110.00	110.00	164	20
Sep	94.00	-	-	-	136	-
Nov	96.50	+0.25	96.55	96.55	104	9
Jan	99.25	+0.75	98.50	98.50	16	5
Mar	98.75	-	-	-	7	-
May	100.00	-	-	-	1	-
Total					420	34

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

May	652/4	-8/2	662/2	652/4	208,595	64,205
Jul	650/4	-6/4	661/0	650/4	265,565	113,855
Aug	645/4	-6/6	654/6	646/0	48,585	7,430
Sep	626/0	-6/0	633/4	625/0	27,665	2,530
Nov	611/0	-3/2	618/0	611/0	182,075	35,855
Jan	617/4	-2/4	623/0	617/0	13,430	525
Total					768,340	225,265

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

May	27.29	-0.41	27.83	27.25	23,425	4,196
Jul	27.22	-0.38	27.72	27.18	27,487	7,973
Aug	26.99	-0.29	27.40	26.98	11,349	788
Sep	26.50	-0.25	26.85	26.45	10,230	508
Oct	25.56	-0.22	25.95	25.55	7,422	644
Dec	25.08	-0.12	25.32	24.97	14,783	1,069
Total					97,378	15,324

■ SOYABEAN MEAL CBT (100 tons; $/ton)

May	187.4	-1.4	189.4	187.0	22,275	5,909
Jul	187.2	-1.5	189.4	187.0	33,083	7,983
Aug	185.9	-1.6	188.2	185.9	9,040	1,378
Sep	183.9	-1.8	185.9	183.8	7,660	338
Oct	181.8	-1.4	183.4	181.8	4,149	669
Dec	180.6	-1.3	182.3	180.5	11,747	1,104
Total					89,711	17,552

■ POTATOES LCE (£/tonne)

May	242.5	-	250.0	245.0	465	93
Jun	262.5	-	-	-	2	-
Nov	105.0	+27.5	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	139.5	+0.7	141.0	139.5	398	67
May	140.0	-	-	-	-	-
Total					861	160

■ FREIGHT (BIFFEX) LCE ($10/index point)

Apr	1283	+5	1295	1280	957	34
May	1310	+10	1310	1305	820	34
Jun	1292	+12	1290	1280	189	28
Jul	1199	+4	1195	1185	585	63
Oct	1281	-1	1285	1281	263	13
Jan	1320	-5	-	-	144	-
Total					2,890	172

	Close	Prev
BFI	1283	1263

Wool

Prices in Australia moved strongly ahead at the first sale to be held since the Easter recess, at Sydney on April 12, but since then the market has been steady and firm but not significantly dearer. The market indicator closed at 567 cents, 9 cents higher than at the closing sale before Easter. Prices paid for other wool in New Zealand moved from firm to slightly dearer at post-Easter sales, and South Africa this week was appreciably dearer in rand terms, though a good deal less so if softness in the rand is taken into account. Business in the wool-using industry is almost invariably said to be quiet, with few new orders placed and considerable price resistance. Wool's dearer trend this year is nevertheless not in doubt, even if progress is slow.

SOFTS

■ COCOA LCE (£/tonne)

—	Sett price	Day's change	High	Low	Open int	Vol
May	883	-2	887	878	15,935	1,326
Jul	902	-	905	895	19,720	1,450
Sep	919	-	922	913	12,306	1,503
Dec	939	+1	943	934	18,476	831
Mar	961	+1	964	956	26,323	471
May	972	-	975	968	9,819	145
Total					112,938	5,787

■ COCOA CSCE (10 tonnes; $/tonnes)

May	1132	+7	1142	1128	9,399	3,121
Jul	1155	+8	1164	1151	33,568	3,480
Sep	1181	+11	1187	1175	12,172	371
Dec	1213	+5	1220	1213	8,321	658
Mar	1246	+5	1252	1243	10,511	44
May	1267	+5	1270	1270	4,934	507
Total					82,494	8,786

■ COCOA (ICCO) (SDR's/tonne)

Apr 14	Price	Prev. day
Daily	885.52	888.53
10 day average	N/A	N/A

■ COFFEE LCE ($/tonne)

May	1511	-7	1519	1501	12,590	1,532
Jul	1464	-19	1474	1463	18,958	1,488
Sep	1447	-18	1462	1448	8,896	624
Nov	1443	-15	1450	1442	4,313	205
Jan	1437	-17	1439	1438	5,407	16
Mar	1429	-16	1430	1430	1,874	20
Total					52,038	3,885

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

May	83.55	+0.50	83.80	82.40	21,014	5,727
Jul	85.40	+0.50	85.80	84.20	25,777	5,910
Sep	86.75	+0.45	87.00	85.70	8,449	630
Dec	88.10	+0.55	88.15	87.30	4,465	356
Mar	88.95	+0.55	89.20	88.25	1,997	30
May	90.00	+0.60	-	-	284	12
Total					62,005	12,667

■ COFFEE (ICO) (US cents/pound)

Apr 13	Price	Prev. day
Comp. daily	81.74	82.37
15 day average	79.05	78.82

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

May	11.00	-	-	-	540	-
Jul	11.52	-0.04	11.55	11.55	2,819	5
Sep	11.35	-0.15	-	-	292	-
Nov	11.51	-	-	-	-	-
Total					3,651	6

■ WHITE SUGAR LCE ($/tonne)

May	321.80	-	327.00	323.00	1,912	1,348
Aug	318.10	-	322.30	318.10	9,756	1,128
Oct	303.50	-	306.30	302.90	6,216	180
Dec	299.50	-	302.30	300.00	242	23
Mar	298.50	-	300.50	297.90	749	66
May	300.00	-	-	-	190	-
Total					19,270	2,725

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

May	10.91	+0.03	11.02	10.87	24,501	8,611
Jul	11.23	-	11.37	11.20	40,710	9,494
Oct	11.08	-0.02	11.21	11.06	30,086	4,491
Mar	10.84	-0.02	10.98	10.82	15,220	1,550
May	10.91	-0.02	11.00	11.00	2,024	48
Jul	10.94	-0.02	-	-	1,110	12
Total					114,026	24,232

■ COTTON NYCE (50,000lbs; cents/lbs)

May	81.28	+1.44	81.40	79.90	15,952	8,655
Jul	81.26	+1.83	81.29	79.75	17,423	8,253
Oct	78.00	+0.70	78.05	74.90	3,612	598
Dec	73.43	+0.58	73.45	72.80	15,127	2,185
Mar	74.25	+0.45	74.25	73.80	912	80
May	74.40	+0.55	74.40	74.00	[illegible]	55
Total					[illegible]	[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

May	103.55	+0.20	104.75	103.10	6,158	2
Jul	105.45	+0.20	107.00	105.00	6,850	5
Sep	108.90	+0.15	110.00	108.90	2,138	5
Nov	109.40	+0.15	109.80	109.25	1,147	32
Jan	110.90	-0.25	111.00	110.25	2,180	17
Mar	111.50	-1.25	112.50	112.50	327	24
Total					20,903	89

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Apr 14	Apr 13	month ago	year ago
1805.2	1818.1	1830.3	1686.2

■ CRB Futures (Base: 4/9/56=100)

Apr 13	Apr 12	month ago	year ago
222.60	222.63	229.87	211.95

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	76.150	-0.600	76.750	76.100	9,533	3,890
Jun	72.775	-0.375	73.250	72.750	31,389	12,782
Aug	71.625	-0.325	72.050	71.600	13,467	2,364
Oct	72.750	-0.275	73.100	72.725	10,599	1,149
Dec	72.975	-0.325	73.300	72.925	4,392	391
Feb	72.750	-0.300	73.075	72.750	1,665	28
Total					71,646	20,781

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Apr	45.500	+0.050	45.650	45.025	1,192	957
Jun	51.925	+0.250	52.050	51.300	17,190	3,175
Jul	51.100	+0.225	51.150	50.500	5,776	853
Aug	49.275	+0.200	49.400	48.850	3,145	321
Oct	44.975	+0.100	45.050	44.600	1,970	259
Dec	45.500	+0.225	45.550	45.050	2,413	69
Total					32,164	5,668

■ PORK BELLIES CME (40,000lbs; cents/lbs)

May	53.125	+0.575	53.250	52.250	4,521	1,838
Jul	53.625	+0.225	53.800	52.900	4,879	1,461
Aug	51.300	+0.225	51.750	50.875	703	136
Feb	56.200	-0.150	56.200	55.600	126	30
Mar	55.300	+0.100	55.300	0	13	4
May	56.700	-	56.700	56.500	19	1
Total					10,260	3,466

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Jul	Oct	Jul	Oct
1300	51	78	40	49
1325	39	66	53	61
1350	29	54	68	74
■ COPPER (Grade A) LME	**Jul**	**Oct**	**Jul**	**Oct**
1850	76	103	42	59
1900	51	77	67	83
1950	32	57	97	111
■ COFFEE LCE	**May**	**Jul**	**May**	**Jul**
1300	211	174	-	10
1350	161	134	-	20
1400	111	98	-	34
■ COCOA LCE	**May**	**Jul**	**May**	**Jul**
875	13	51	5	24
900	3	37	20	35
925	-	27	42	50
■ BRENT CRUDE IPE	**May**	**Jun**	**May**	**Jun**
1400	-	-	-	15
1450	12	63	2	27
1500	1	33	-	-

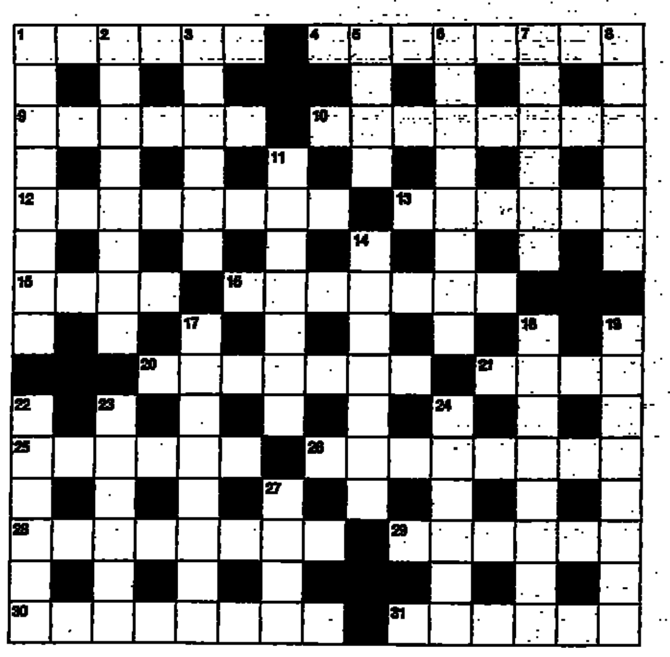
LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jun)		+or-
Dubai	$13.61-3.66y	+0.235
Brent Blend (dated)	$15.25-5.29	+0.39
Brent Blend (Jun)	$14.82-4.84	+0.28
W.T.I. (1pm est)	$16.05-6.06y	+0.25
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$166-170	+2
Gas Oil	$153-155	+2
Heavy Fuel Oil	$69-71	+1
Naphtha	$141-143	+2
Jet Fuel	$166-167	+2.5
Petroleum Argus Estimates		
■ OTHER		
Gold (per troy oz)♣	$377.50	-0.70
Silver (per troy oz)♣	529.50c	-1.00
Platinum (per troy oz.)	$400.50	+2.00
Palladium (per troy oz.)	$132.75	+0.75
Copper (US prod.)	91.00c	
Lead (US prod.)	36.00c	
Tin (Kuala Lumpur)	14.48r	+0.03
Tin (New York)	253.50c	
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	126.70p	-2.25*
Sheep (live weight)†♠	140.34p	-13.3*
Pigs (live weight)	74.57p	-4.63*
Lon. day sugar (raw)	$266.6	+9.9
Lon. day sugar (wte)	$326.0	+7.0
Tate & Lyle export	£294.0	+8.0
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	$137.5	
Wheat (US Dark North)	£185.0x	+5.0
Rubber (May)♥	69.25p	+0.25
Rubber (Jun)♥	69.50p	+0.25
Rubber(KL RSS No1 Apr)	253.50m	-0.5
Coconut Oil (Phil)§	$545.0t	-5.0
Palm Oil (Malay.)§	$417.5w	
Copra (Phil)§	$355.0	-4
Soyabeans (US)	£204.0	
Cotton Outlook A Index	84.40c	+1.2
Wooltops (64s Super)	409p	+12

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Mar/Apr. y Jun. w May. t May/Jun. v Apr/May. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

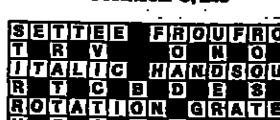
No.8,429 Set by QUARK



ACROSS
1 A 20 US novelist was Jack (6)
4 A 20 for carpet, lace and veg? (8)
9 Upset Gary with the heartless whirl (6)
10 Handsome lettering in part could be on menu (8)
12 Side pan outside right: Combined effort needed (8)
13 The sharp pain is one of two, for example returning (6)
15 One in light yellow initially inclined to fawn (4)
16 Key worn out is very important but not 20 (3,4)
20 See 1 across, 3, 4, 5, 21, 23, 24, 30, 31 (7)
21 A 20 is smart, we hear (4)
25 Lo! Very changeable, excessively so (6)
26 Operetta to fix in advance? (8)
28 One with lumbago might get restraint (4,4)
29 Cause of food-poisoning lady put out as fish (6)
30 A 20 near crab at sea (8)
31 A 20 crazy to cut journey short (6)

DOWN
1 Minister's residence with sign outside gate damaged (8)
2 Usually man's friend (8)
3 A 20 with a power unit to ring up (6)
5 A 20 always seen in promenading (4)
6 A fine spinner (8)
7 Former temporary accommodation area (6)
8 A good sound player? (6)
11 Races in, beaten; it's dreadful to take (7)
14 Detectives including several coming up with energy (7)
17 Erring students? One's put in a false statement (8)
18 One introducing changes to produce improvement (with hesitation) (8)
19 Place underground – den, possibly. Suspect could be (8)
22 Architectural style achieved stylishness lacking roof (6)
23 A 20 composer (6)
24 A 20 going ahead? (6)
27 Mark the rock formation (4)

Solution 8,428



صكذا من الاصل

LONDON STOCK EXCHANGE

MARKET REPORT

Early losses reduced in erratic trading session

By Terry Byland, UK Stock Market Editor

The largely unexpected cut in German Discount rate gave little inspiration yesterday to UK stock markets which were unnerved by weakness in US bonds and by erratic trading in UK government securities. Shares remained on the downside throughout the session although the FT-SE Index recovered more than half of the 32 point fall suffered as traders hurriedly repositioned trading books following the Bundesbank's move. Trading was also disturbed by reports that two US helicopters had been downed in the Middle East; fuller details of the incident did not arrive until late in the session.

Equities opened lower, unsettled by weakness overnight in the New York bond markets. An attempted rally was helped by a trading programme from a leading securities house but was then reversed when gilts turned sharply down, following the US bonds trading in Europe.

The stock market paid little heed to the narrowing in the UK global trade deficit for January. Share losses were sharply extended, despite the rate cut from Germany, as equity dealers struggled with the extreme volatility in the bond markets. Uncertainty over what had happened in Iraq helped depress the market.

However, once the dust had settled strategists suggested that little had changed in the market equation. "The Bundesbank is continuing to reduce rates in an orderly fashion," said one specialist. "But the renewed worries about US Federal bonds indicates that talk of Europe decoupling from the US bond market may have been premature." However, published minutes of the regular meetings of the UK chancellor of the exchequer and the governor of the Bank of England served to steady hopes for a cut in UK base rates in the not too distant future.

Account Dealing Dates		
*First Dealings: Mar 28	Apr 11	Apr 25
Option Declarations: Apr 7	Apr 21	May 12
Last Dealings: Apr 8	Apr 22	May 13
Account Day: Apr 18	May 3	May 23

*New time dealings may take place from two business days earlier.

The second attempt at recovery was checked at first when Wall Street opened 13 Dow points off but resumed when the New York market moved up to show a 3 point gain on the Dow in London trading hours.

At the close, the FT-SE 100 Index was a net 14.1 down at 3,131.7. Dealers sounded subdued and warned that volatility in bonds was causing pressures for many trading houses as well as restraining the equity market.

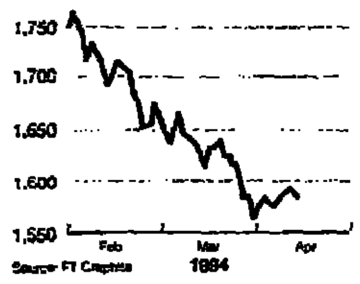
Stock Index futures played an important role in driving the underlying market. The FT-SE Mid 250 Index, lacking involvement with the Footsie future, closed 9.1 off at 3,792.1.

At least one other trading programme was identified in the second half of the session, and the day's Seaq total of 629.7m shares compared favourably with Wednesday's 885.7m, which was swollen by substantial deals in several individual stocks.

Retail, or customer, business in equities was worth £1.52bn on Wednesday but this total was inflated by the move through the market of Transamerica International's 21 per cent stake in Sedgwick, Britain's largest insurance broker. Although retail business in shares has been good recently, it has been focused on share deals and placings, and pickings have been slim for houses not involved.

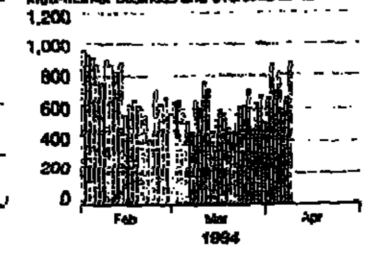
Futures markets looked optimistic at the close but traders warned that London would watch the US bond markets carefully overnight and that attention would be focused on the US economic statistics on industrial output and capacity utilisation due to be announced today.

FT-SE-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3131.7	-14.1	FT Ordinary index	2477.7	-6.0
FT-SE Mid 250	3792.1	-9.1	FT-SE-A Non Fins p/e	20.61	(20.69)
FT-SE-A 350	1591.9	-6.3	FT-SE 100 Fut Jun	3133.0	-8.0
FT-SE-A All-Share	1582.70	-5.89	10 yr Gilt yield	7.69	(7.68)
FT-SE-A All-Share yield	3.67	(3.66)	Long gilt/equity yld ratio:	2.19	(2.18)

Best performing sectors

1 Oil Exploration .... +0.9
2 Oil, Integrated .... +0.8
3 Breweries .... +0.8
4 Household Goods .... +0.7
5 Mineral Extraction .... +0.6

Worst performing sectors

1 Electricity .... -1.6
2 Tobacco .... -1.3
3 Pharmaceuticals .... -1.1
4 Telecommunications .... -1.0
5 Retailers, Food .... -1.0

Heavy turnover in Clyde

Oil exploration group Clyde Petroleum was the centre of attention for much of the session as the Seaq ticker revealed that some 13.4m shares, equal to 3.4 per cent of the issued capital, had been sold into the market. The shares were sold at 29½p, a discount of around 10 per cent to the then ruling market price, and 12.5m were subsequently placed at 30¼p. Clyde was one of the market's most active stocks on Wednesday when a block of 3m shares was believed to have changed hands. Clyde shares yesterday closed a penny off at 33p.

There was no confirmation regarding the possible identity of the seller yesterday. Recent hints that George Weston Holdings might have been unloading stock was dismissed by oil specialists, but there were strong suspicions that Fidelity, the US investment group, which recently sold a small block of stock, could have been the big seller.

Clyde was the star of a busy oil sector inspired by oil prices moving towards the $15 a barrel level. However, they later slipped back as news of the downing of two US helicopters over Iraq came into the market. Sentiment was given a further boost by news that Salomon Brothers, the big US investment bank, had increased its current year oil price forecasts to above $16 a barrel. A line of 5.5m nil paid ex rights shares in Lasmo were chased by at least four leading marketmakers and placed at 18½p premium.

Results largely in line with expectations from hotel group Forte produced a mixed reaction among analysts - although the more positive view prevailed in the market pushing the shares up 3 to 242p. There was a strong performance from London hotels and slightly firmer trading in the provinces. But there was some disappointment at the size of the write-down in assets, as well as continued concerns over the group's debts.

BZW moved the stock from a hold to a buy, arguing that concerns such as those of sale and leasebacks of hotels had now been aired and that the company's overall strategy was now in place. But Smith New Court remained a hold, arguing that despite the recovery in London trading, the shares are fully valued.

Long-term bears NatWest Securities agreed, adding that with no dividend yield to speak of and little support in the asset backing, the shares are likely to undergo a continued derating. Profit forecasts for 1995 remained in the £125-30m bracket.

BSkyB benefits

News that satellite broadcaster BSkyB was partly to repay investors after raising £500m, helped leading shareholders Pearson, Granada and News International, the UK arm of 50 per cent shareholder News Corp.

Pearson, which will receive £81m, saw its shares gain 5 to 645p, while Granada, which will get £64m, added 11 at 556p. News International improved 8 to 278p.

Huge turnover of 6.5m shares surrounded Aegis, the media and communications group, after a two-way pull on the stock developed. The company reported a loss of £18.1m against a loss of £10.9m the previous year. Some analysts said that all the bad news was out in the open and the company poised for recovery. The shares held steady at 23½pp.

Building materials group Blue Circle Industries continued the run of excellent results from the sector, announcing preliminary profits above most analysts' expectations. BCI shares touched 339p before ending 6 higher at 333p. Sector specialists were particularly pleased with the company's performance in the US and said they expected substantial profits upgrades to follow the results.

RMC advanced 12 more to 978p, boosted by good results announced on Wednesday and additionally helped by Bundesbank interest rate cuts. Redland, like RMC heavily involved in the German market, moved up 8 to 556p. Caradon was a lone poor performer in the sector, the shares slipping 8 to 347p in the wake of a big selling order.

Shares in British Steel hit a 5 year high adding 3¾ to 152¼p, after Goldman Sachs issued a buy recommendation. Turnover rose to 18m, to make it one the most active stocks.

Market watchers attributed some of the day's buying to institutions that had attended a company presentation on Wednesday hosted by Cazenove.

Vodafone attracted fresh bouts of selling pressure from the US where investors focused on the potential threat to the established cellular phone companies from Orange, the new service being launched at the end of the month by Hutchison. Vodafone shares 8¼ to 517½p after good turnover of 4.2m.

The Scottish generators were given a rough ride in a generally weak utilities area as BZW, the investment bank, downgraded the two stocks. Scottish Hydro fell 19, or 5 per cent, to close at 352p, while Scottish Power dropped 13, or 3.3 per cent, to 379p.

Textile group Lamont lifted 9 to 433p following a sharp rise in annual profits to £11.4m from £8.4m previously.

Pharmaceuticals group Glaxo fell 6 to 568p as US investment group Morgan Stanley added its weight to the gloomy views overhanging the company and reiterated its sell stance. Glaxo options were also the most active with the equivalent of 2.2m shares traded.

News of an Office of Fair Trading inquiry into the supply of some Japanese electronic goods to warehouse retailers upset Dixons, with the shares off 5½ at 197½p. The OFT probe is reported to be looking at the suppliers' reluctance to provide goods to the discount groups. BZW was said to be among the sellers.

Allied Lyons jumped 19 to 571p with 7.6m traded, with Smith New Court said to be positive. Grand Metropolitan, off 7 at 458p, was undermined by news of the loss of a US contract to a subsidiary of Guinness, up 2 at 171p. Whitbread put on 5 to 549p.

Engineering group IMI jumped 12 to 355p, with Smith New Court upgrading profit expectations.

Reg Vardy put on 15 to 210p, after issuing an upbeat trading statement ahead of today's analyst visit to the group.

MARKET REPORTERS: Joel Kibazo, Peter John, Christopher Price, Steve Thompson.

■ Other statistics, Page 29

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (39).

BANKS (1) Tokai, BREWERIES (1) Kirin, CHEMICALS (3) Euro Colour, Hickson, Yule Catto, DISTRIBUTORS (1) Denmans, ELECTRNC & ELECT EQUP (3) Mitsubishi, Philips, Toshiba, ENGINEERING (8) EXTRACTIVE INDS (3) HOUSEHOLD GOODS (8) Portmeirion Potts, Swallowfield, Waterford Wedgwood, INVESTMENT TRUSTS (1) IAF, INVESTMENT COMPANIES (1) Japanese Warrant Fd, MEDIA (1) Telegraph, OIL EXPLORATION & PROD (1) Sun Res, OTHER FINANCIAL (2) S & U Prf, Western Selection, PHARMACEUTICALS (1) Fisons, PRTNG, PAPER & PACKG (2) Bunzl, Smith (D. S.), PROPERTY (1) Aukett Assocs, RETAILERS, GENERAL (1) Oliver, SUPPORT SERVS (2) Admiral, Trace Computers, TEXTILES & APPAREL (2) Dewhirst, Dunlop Heal, TRANSPORT (1) P & O Prf, AMERICANS (1) Allegheny & West.

NEW LOWS (98).

GILTS (1) BANKS (1) Royal Bk. of Scotland, BREWERIES (1) Morland, BLDG MATLS & MCHTS (3) Ashley Prf., Caradon Prf., Newman-Tonks, DISTRIBUTORS (1) Farnell, DIVERSIFIED INDLS (3) Charter, Hanson, Do. 9½pc Cnv Bd, ELECTRICITY (4) National Power, PowerGen, Scot. Hydro, Scott. Power, ELECTRNC & ELECT EQUP (2) Dewhurst 'A', Koco, ENGINEERING (3) Hall Eng., Hunting Prf., Oxford Instruments, EXTRACTIVE INDS (10) GAS DISTRIBUTION (1) British Gas, INSURANCE (3) Fenchurch, Independent Insce, USF & G, INVESTMENT TRUSTS (7) INVESTMENT COMPANIES (5) LEISURE & HOTELS (1) IMC, LIFE ASSURANCE (3) Lloyds Abbey Life, Trans B Cdc Cv Pf, Utd Friendly B, MERCHANT BANKS (1) Barings Prf, OIL EXPLORATION & PROD (3) Alliance Res, Clyde Petm, Global Nat Res, OIL, INTEGRATED (1) Occidental, OTHER FINANCIAL (2) M. & G., Smith New Court Cnv Prf, OTHER SERVS & BUSNS (1) Attwoods, PHARMACEUTICALS (4) Glaxo, Lilly (E), SmithKline Beecham A, Wellcome, PRTNG, PAPER & PACKG (1) NMC Prf, PROPERTY (3) Dencora, Derwent Valley, Hammingway Props. 7.5pc Ln 2027, RETAILERS, GENERAL (3) Alexon, Colorvision, Dixons, SUPPORT SERVS (3) Micro Focus, Misys, Virtuality, TELECOMMUNICATIONS (2) Bell Telecom, Vodafone, TEXTILES & APPAREL (4) Albion, Faupel Trading, Haggas (J), Hamlet, TRANSPORT (1) Tiphook, WATER (4) Cheam A, East Surrey, Southern, Wessex, AMERICANS (7) CANADIANS (8) SOUTH AFRICANS (1).

EQUITY FUTURES AND OPTIONS TRADING

Derivatives dealers reported a lacklustre trading session as traders watched developments in the bond markets, writes Joel Kibazo.

The first trade in the June contract on the FT-SE 100 was struck at 3,167. Buying mainly from independent traders saw it move gently ahead to reach the day's high of 3,178, mid morning.

The retreat in UK gilts brought a turnaround in the fortunes of June and the contract drifted lower as a nervous period set in as dealers waited for news on German interest rates. The downing of two US helicopters also unsettled trading ahead of lunch. The reduction in rates by the Bundesbank reversed some of the earlier decline before the weakness in bond markets once again led to renewed selling which saw the contract test the 3,139 support level.

It finished at 3,141, at a premium to cash, with volume improving to 14,698 lots. The mid 250 contract was also busy, trading 425 contracts and closing at 3,785.

Volume in traded options at 42,055 was just below Wednesday's level. The FT-SE 100 option traded 16,254 lots and the Euro FT-SE 7,841 contracts. Glaxo was the busiest stock option with a total of 2,212 lots dealt followed by Redland at 1,905.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3132.0	3133.0	-8.0	3148.0	3104.0	14698	54853
Sep	3143.0	3152.0	-7.5	3147.0	3127.0	24	672
Dec	-	3164.0	-8.0	-	-	0	10

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3795.0	3785.0	-5.0	3795.0	3775.0	425	2750

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3790.0	3785.0	-6.0	3790.0	3790.0	69	930

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3130) £10 per full index point

	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P
Apr	181	½	131	½	81	½	32	2½	5	25	½	71	½	121	½	171
May	197½	16½	156	24½	119½	38	86½	55½	59	77½	39	107½	24	142	13½	181
Jun	213	30	176	44	140	57½	110½	78½	83	100	62	129	44	160½	30½	197
Jul	229½	44	192½	58½	159	74	131½	95½	103½	117	83	146	62	175½	48	210½
Dec†			269½	115½			210	152½			157	198			111	261

Calls 9,425 Puts 7,518

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P
Apr	155	½	105	½	55	½	12½	9½	½	45½	½	95½	½	148½	½	198½
May	170½	20½	137	30½	101½	44½	71½	64½	47½	90	29½	122	17½	159½	10	201½
Jun	198	33	153½	46½	121½	64	93½	85½	70½	112	51½	142½	36½	177	26	215½
Sep			209½	85½			150½	124			108	174½			67½	236½
Dec†			260	115½			191	153			141	199½			102½	258

Calls 3,735 Puts 4,342 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3850		3900		3950		4000		4050		4100	4150	4200
Apr	1	65	½	115	½	165	½	215	½	265	315		
May	47½		84		45		14						

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT-SE Actuaries Share Indices — The UK Series

	Apr 14	Day's chge%	Apr 13	Apr 12	Apr 11	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3131.7	-0.4	3145.8	3159.1	3149.4	2839.7	3.88	6.27	19.22	33.61	1162.00
FT-SE Mid 250	3792.1	-0.2	3801.2	3808.3	3779.5	3085.9	3.24	5.30	23.21	30.07	1388.12
FT-SE Mid 250 ex Inv Trusts	3809.7	-0.2	3817.8	3825.9	3797.3	3100.1	3.36	5.71	21.74	30.71	1390.29
FT-SE-A 350	1591.9	-0.4	1598.2	1604.1	1597.5	1408.3	3.73	6.04	20.03	16.04	1208.64
FT-SE SmallCap	1925.47	—	1925.58	1924.54	1914.02	1648.02	2.92	4.08	30.40	13.84	1472.82
FT-SE SmallCap ex Inv Trusts	1897.32	—	1896.47	1896.34	1886.71	1553.63	3.09	4.50	27.82	13.80	1453.51
FT-SE-A ALL-SHARE	1582.70	-0.4	1588.59	1593.95	1587.25	1392.08	3.67	5.90	20.53	15.62	1222.66

■ FT-SE Actuaries All-Share

	Apr 14	Day's chge%	Apr 13	Apr 12	Apr 11	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2614.42	+0.8	2597.81	2605.79	2605.89	2148.80	3.52	4.60	27.07	30.90	1035.59
12 Extractive Industries(4)	4018.42	-0.1	4023.94	3992.93	3971.31	3083.00	3.23	4.44	27.08	41.61	1085.97
15 Oil, Integrated(3)	2531.06	+0.8	2510.75	2522.89	2523.78	2055.70	3.56	5.00	24.86	31.89	1022.92
16 Oil Exploration & Prod(11)	1867.96	+0.9	1852.12	1878.55	1894.86	1958.20	3.60	0.97	80.00†	15.38	1070.41
20 GEN MANUFACTURERS(282)	2088.92	-0.2	2093.95	2098.99	2087.66	1720.20	3.60	4.35	29.27	19.70	1045.45
21 Building & Construction(31)	1346.98	-0.9	1358.83	1357.49	1328.89	983.40	2.76	4.02	31.31	9.12	1039.74
22 Building Matls & Merchs(30)	2146.68	-0.1	2149.14	2140.99	2121.12	1527.60	3.31	3.54	36.48	18.43	993.86
23 Chemicals(21)	2459.00	-0.5	2470.74	2471.36	2476.69	2096.60	3.74	4.64	26.94	27.53	1071.28
24 Diversified Industrials(16)	2049.02	-0.5	2059.81	2061.70	2075.28	1845.70	4.49	4.50	29.17	28.41	1026.72
25 Electronic & Elect Equip(34)	2058.43	-0.6	2070.44	2061.71	2070.67	1942.30	3.57	6.24	19.65	6.17	981.11
26 Engineering(71)	1952.20	+0.4	1944.37	1939.97	1929.02	1433.00	2.82	3.86	32.41	13.71	1096.79
27 Engineering, Vehicles(12)	2382.94	+0.2	2378.75	2370.72	2337.02	1713.00	4.41	2.09	77.82	29.56	1138.00
28 Printing, Paper & Pckg(27)	2902.09	-0.1	2906.38	2922.36	2917.90	2329.70	2.85	4.40	27.79	24.57	1126.13
29 Textiles & Apparel(20)	1826.76	—	1827.52	1820.20	1805.27	1854.30	3.80	5.85	22.56	18.62	1016.87
30 CONSUMER GOODS(95)	2704.71	-0.4	2714.94	2721.32	2733.38	2718.00	4.29	7.80	16.40	39.70	916.14
31 Breweries(17)	2284.73	+0.8	2266.96	2248.95	2243.67	2102.70	3.99	7.52	16.29	11.01	1001.77
32 Spirits, Wines & Ciders(10)	2922.50	+0.3	2915.12	2929.46	2951.20	2860.50	3.89	6.68	17.38	41.44	986.46
33 Food Manufacturers(23)	2338.70	-0.1	2341.15	2337.88	2337.68	2379.20	4.05	7.51	15.74	35.53	969.17
34 Household Goods(13)	2637.47	+0.7	2618.67	2611.60	2571.80	2325.60	3.33	6.97	16.47	35.58	937.45
36 Health Care(20)	1731.93	—	1731.51	1728.47	1716.76	1886.70	3.19	5.52	21.58	7.32	985.54
37 Pharmaceuticals(11)	2720.73	-1.1	2752.30	2776.22	2810.04	2821.40	4.71	8.03	14.36	41.23	849.09
38 Tobacco(1)	3775.09	-1.3	3825.42	3825.42	3821.23	3845.30	5.68	9.15	12.73	102.36	840.64
40 SERVICES(220)	2041.43	-0.4	2049.69	2047.01	2032.78	1768.90	2.91	5.55	21.64	10.12	984.51
41 Distributors(31)	3013.61	+0.4	3002.16	3010.48	2992.41	2820.40	2.90	5.05	23.88	31.44	1031.42
42 Leisure & Hotels(23)	2251.10	-0.5	2261.41	2255.85	2230.87	1713.00	3.18	4.39	27.44	13.63	1091.86
43 Media(39)	3102.03	—	3102.31	3093.63	3083.03	2245.40	2.08	4.88	25.32	25.37	1085.85
44 Retailers, Food(17)	1589.18	-1.0	1605.71	1614.16	1595.62	1958.80	3.96	10.04	12.36	3.13	923.74
45 Retailers, General(44)	1753.10	-0.5	1762.08	1758.18	1743.69	1492.40	2.77	6.39	23.23	6.38	917.93
48 Support Services(40)	1638.58	+0.1	1636.13	1631.84	1634.77	1508.10	2.39	7.05	16.17	6.64	981.42
49 Transport(16)	2539.26	-0.7	2558.30	2552.24	2519.15	2033.40	3.32	3.84	31.77	11.84	977.93
51 Other Services & Business(10)	1144.44	-0.7	1152.92	1162.29	1160.59	1251.60	4.68	2.38	80.00†	4.92	967.45
60 UTILITIES(36)	2285.57	-1.0	2318.25	2345.87	2357.86	2137.30	4.26	7.59	18.25	5.80	858.54
62 Electricity(17)	2205.68	-1.6	2240.85	2249.48	2248.82	1735.60	3.75	11.22	10.95	15.85	890.84
64 Gas Distribution(2)	1928.76	-0.5	1938.61	1976.89	1986.40	2049.50	6.21	‡	‡	0.00	852.18
66 Telecommunications(4)	2018.01	-1.0	2039.04	2067.51	2068.03	1953.90	3.91	6.00	20.37	0.09	839.31
68 Water(13)	1783.56	+0.1	1782.25	1810.64	1801.78	1781.40	5.18	14.24	8.26	3.48	868.14
69 NON-FINANCIALS(691)	1703.61	-0.3	1709.39	1714.62	1709.91	1520.50	3.69	5.91	20.61	14.62	1161.01
70 FINANCIALS(103)	2280.59	-0.5	2292.82	2306.48	2281.62	1899.50	3.93	6.74	17.70	38.93	890.71
71 Banks(10)	2894.06	-0.7	2913.57	2922.62	2884.18	2310.80	3.72	6.89	17.16	55.66	855.68
73 Insurance(18)	1384.53	-0.4	1370.36	1399.97	1394.64	1331.90	4.69	8.04	14.49	27.77	922.00
74 Life Assurance(6)	2529.75	-0.6	2544.70	2573.50	2567.26	2581.80	4.91	6.88	17.82	83.38	958.93
75 Merchant Banks(6)	3006.72	-0.5	3021.42	3015.95	2981.92	2391.70	3.17	8.60	13.96	21.22	888.63
77 Other Financial(24)	1900.21	-0.2	1934.54	1938.31	1913.07	1402.70	3.42	6.32	18.96	17.48	1012.34
79 Property(39)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
80 INVESTMENT TRUSTS(122)	2851.70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
89 FT-SE-A ALL-SHARE(854)	1582.70	-0.4	1588.59	1593.95	1587.25	1392.08	3.67	5.90	20.53	15.62	1222.66

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3133.8	3140.9	3124.8	3130.6	3130.2	3121.3	3113.8	3124.0	3130.0	3141.5	3113.2
FT-SE Mid 250	3798.1	3798.0	3801.9	3797.5	3797.2	3791.4	3791.2	3792.1	3802.7	3791.1	[illegible]
FT-SE-A 350	1593.1	1596.0	1589.3	1592.0	1591.5	1587.5	1584.8	1588.8	1591.1	1596.4	1584.6

Time of FT-SE 100 High 9.05am Low 1.35pm

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1313.1	1312.6	1309.6	1310.2	1307.3	1303.3	1299.6	1299.6	1299.7	1300.2	1318.9	-18.7
Pharmaceuticals	2688.5	2692.6	2685.3	2684.1	2689.5	2689.0	2677.4	2687.5	2692.4	2689.4	2721.0	-31.6
Water	1772.2	1772.7	1794.5	1788.5	1789.0	1787.7	1787.9	1783.5	1779.5	1779.5	1778.0	+1.5
Banks	2932.3	2946.7	2933.7	2930.9	2934.8	2925.1	2918.2	2924.1	2927.4	2930.1	2949.9	-19.8

Additional information on the FT-SE Actuaries Share indices is published in Saturday issues. [illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	10,000	67	+½
Abbey National†	2,100	474	+5
Albert Fisher	1,000	60	
Allied-Lyons†	7,600	571	+19
Anglian Water	1,800	500	+5
Argos	855	355	
Argyll Group†	3,200	244	-2
Arjo Wiggins†	1,200	268	-3
Assoc. Brit. Foods†	331	597	-2
Assoc. Brit. Ports	351	557	+1
[illegible]	[illegible]	[illegible]	[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Apr	Jul	Oct	Puts Apr	Jul	Oct
Allied-Lyons	540	32½	41	52	1½	18	25½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls May	Aug	Nov	Puts May	Aug	Nov
Hanson	240	21½	25	29½	1½	5½	8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Underlying security price. Premiums shown are based on closing offer prices.

FT GOLD MINES INDEX

	[illegible]
[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	8	49	17
Other Fixed Interest	3	0	12
Mineral Extraction	62	71	79
General Manufacturers	116	160	394
Consumer Goods	[illegible]	[illegible]	[illegible]
Services	[illegible]	[illegible]	[illegible]
Utilities	[illegible]	[illegible]	[illegible]
Financials	[illegible]	[illegible]	[illegible]
Investment Trusts	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]
Totals	[illegible]	[illegible]	[illegible]

Data based on those companies listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt cap (£m)	1994 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	Low	Stock	Closing price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL TIMES EQUITY INDICES

	Apr 14	Apr 13	Apr 12	Apr 11	Apr 8	Yr ago	High	Low
Ordinary Share	2477.7	2483.7	2490.7	2485.4	2467.3	2205.8	2713.6	2436.2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Apr 14	Apr 13	Apr 12	Apr 11	Apr 8	Yr ago
SEAQ bargains	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Equity turnover (£m)†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Equity bargains†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shares traded (mil)†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£22½	-⅜	£25⅛	£22⅞	8,549	4.8	ϕ
ANZ A$		234¼	-4¾	278¼	220½	3,066	3.9	18.4
Abbey National	N□	474xd	+5	523	463	6,218	3.7	15.9
Allied Irish I£	♣□	254xd	+1	314	241	1,673	4.9	ϕ
Anglo Irish I£	M N□	58	—	*70	58	182.7	7.7	10.2
Asahi Y		710¼	-2	759¼	628	16,492	0.7	-
Banco Bil Viz Pta		£15⅞	+⅛	£18⅛	£14⅜	3,518	5.4	6.9
Banco Sant Pta		£31⅝	—	£34⅝	£29⅞	3,513	4.3	12.1
Bk Ireland I£	♣□	263	—	*319	246	1,239	4.7	19.4
Bank Scotland	♣†□	188	—	247	183	2,199	3.1	25.5
9¼pc Pf		128	-¼	141½	128½	128.0	9.0	-
9¾pc Pf		135	-¾	148½	131½	135.0	9.0	-
Barclays	N□	528xd	+4	640	487	8,542	3.6	21.8
Dai Ichi Kan Y		£12⅞	-⅛	£12⅞	£10⅞	38,687	0.4	69.5
Deutsche DM		£318¼	-5⅜	£344¾	£298¼	14,775	2.0	-
Espirito Santo		£20⅞	-⅜	£26⅜	£19⅜	222.6	3.8	5.0
First Nat Fin	N□	72	—	*90	60	118.3	2.6	-
6.3pc Cv Pf		83	-1	*90	77	5.68	9.5	-
7pc Cv Pf		149	—	171	123	70.7	5.9	-
Fuji Bank Y		1499½	-7½	1505½	1152½	43,131	0.4	-
HSBC HK	□	810xd	-8	1133	749	14,223	3.6	ϕ
HSBC (75p Shs)	□	796xd	-7	1113	733	6,734	3.7	ϕ
Lloyds	N□	582xd	-6	680	540	7,893	5.0	11.7
Mitsubishi Y		£18⅞	-⅛	£18⅞	£15⅝	53,105	0.3	-
Mits Tst & Bk Y		1011½	-18¾	1034½	887½	13,172	0.5	16.2
Mitsui Tst & Bk Y		767½	+2¾	811¼	514	9,197	0.7	26.1
Nat Aust A$		572	-3½	620¼	537¾	7,619	4.1	13.9
NatWest	N□	477xd	-7	622	448	7,932	4.8	10.9
Ottomane FFr		£30¼	-¼	£33	£27¾	151.2	4.8	7.3
Ryl Bk Scotland	♣N□	401	-7	528	398	3,196	3.4	18.1
Sakura Y		£8⅞	-⅛	£9⅞	£8⅛	28,110	0.6	54.8
Sanwa Y		£14⅞	-⅛	£16	£11⅜	43,019	0.4	-
Standard Chartd	♣N□	1100xd	-10	1437	1028	2,840	2.7	10.8
7 3/8pc Prf		99	-¾	108½	92¼	99.0	9.6	-
Sumitomo Y		£14⅞	-⅛	£16⅛	£11½	45,181	0.4	31.0
Sumitomo Tst Y		962¼	+14¾	1007½	825	12,217	0.6	77.0
TSB	N□	219	-5	291	210	3,350	4.4	14.9
Tokai Y		£8⅞	+⅛	£9⅛	£6⅜	16,713	0.6	55.1
Toyo Tst & Bk Y		712¼	-10¾	770¼	586¼	5,598	0.7	63.5
Westpac A$		229	-3	280	207	4,014	2.4	ϕ
Yasuda Tst Bk Y	‡	586	-2¼	634¾	442	6,484	0.8	52.2

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Cont.

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

LEISURE & HOTELS - Cont.

OIL, INTEGRATED

PROPERTY - Cont.

SPIRITS, WINES & CIDERS

TRANSPORT - Cont.

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
Tibbett & Britten	♣□	815xd	-7	915	803	359.4	2.2	Φ
Tiphook	♣□	41	-1	79	41	45.4	-	-
Transport Dev	♣N□	257xd	-2	327	255	379.1	4.6	17.3
Upland Intl	□	123	----	132	99	28.5	-	-
United Carriers	□	153	----	160	153	61.8	-	-
Vard NV		£93	[illegible]	£9[illegible]	£3¾	122.8	-	-
Wah Kwong HK$		148¼	-¼	148	132	185.7	3.0	8 [illegible]

WATER

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglian	♣†N□	600	+5	697	489	1,480	5.4	8.9
Bristol Water	†N	1078	- -	1120	1043	71.6	3.7	13.1
Cheam A	†	428	-5	488	438	21.7	3.4	15.3
B N.V		413	-5	473	408	9.90	3.3	14.7
East Surrey	†	368	-5	413	368	46.8	4.0	9.1
Mid Kent	†N	345	--	365	345	99.0	3.9	12.7
North West	†N□	511	-2	611	510	1,806	5.4	8.4
Northumbrian	♣†N□	635	-2	751	622	430.5	4.5	7.4
Severn Trent	♣†N□	532	+4	645	525	1,908	5.1	7.8
South Staffs	♣†	1553	—	1595	1525	87.0	3.9	11.1
South West	†N□	519	..	675	518	651.3	5.9	9.4
Southern	†N□	544	-9	682	544	613.9	5.0	7.9
Thames	♣†N□	498	+2	611	495	1,957	5.4	8.7
Welsh	†N□	621	+3	744	617	902.3	4.9	8.3
Wessex	†N□	628	-6	755½	626	784.6	4.4	10.0
York Wtrworks	♣†	333	-5	351	318	20.8	3.6	14.7
Yorkshire	♣†N□	508	-3	630	505	1,016	5.4	8.4

SUPPORT SERVICES

AMERICANS

OTHER FINANCIAL

LIFE ASSURANCE

MEDIA

OTHER SERVICES & BUSINESSES

TELECOMMUNICATIONS

CANADIANS

OTHER INVESTMENT TRUSTS

TEXTILES & APPAREL

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£22¼	----	£23½	£13½	1,329	3.3	16.2
Barlow		£3[illegible]	+[illegible]	94⅞	£3[illegible]	749.8	8.6	6.9
Gold Flds Prop R		76	-3	105	76	7.77	13.1	6.7
NK Props	$	90	----	95	88	3.82	9.9	37.0
SASOL	♥	283	+3	381	280	1,603	5.5	-
SA Brews		£10⅝	+[illegible]	£16⅞	£10	5,582	2.7	17.1
Tiger Oats		563	+13	838	538	845.7	2.9	11.9
Tongaat-Hulett	†	507	+16	589	434	379.5	2.9	14.1

RETAILERS, FOOD

PHARMACEUTICALS

INVESTMENT COMPANIES

MERCHANT BANKS

RETAILERS, GENERAL

PRINTING, PAPER & PACKAGING

OIL EXPLORATION & PRODUCTION

LEISURE & HOTELS

TOBACCO

TRANSPORT

PROPERTY

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
Φ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ Free annual/interim report available, see details below.
‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
¶ Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
♦ Merger bid or reorganisation in progress
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on RMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xq ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

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An International service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♠) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Thornton Unit Managers Ltd (1200)F
33 Queen Street, London EC4R 1AX 071-246 3000
Dealing 071-246 3001

Abbey Life Assurance Co Ltd

Canada Life Group

Century Life Plc

City Of Edinburgh Life Assurance

Eagle Star Life Assurance Co Ltd

Eagle Star Insur./Midland Assur.

Equitable Life Assurance Society

Abbey National Life Plc

Waverley Unit Tst Mngmt Ltd (1000)F

Hill Samuel Life Assur. Ltd

Lincoln National - Contd.

London Life

London & Manchester Assurance

M & G Life and M & G Pensions

N & P Life Assurance Ltd

NPI

National Mutual Life

National Westminster Life Assce Ltd

Providence Capital Life Assc. Co Ltd - Contd.

Provident Life Assoc Ltd

Prudential Assurance

OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

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Save & Prosper Group - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Income Fd	49.2	52.1	-0.1	6.09
Man Pens Fd	197.0	208.5	-0.6	2.12
North American Mngd Fd	69.5	73.6	-0.6	-
Pacific Mngd Fd	83.1	88.0	—	-
Property Fd*	102.1	108.1	—	6.22
Prop Pens Fd*	135.2	143.1	—	6.48
Tempo Linked Manager	228.0	241.3	-0.7	-
UK Capital Portfolio	62.4	66.1	-0.2	-
UK Managed Gilt Fd	61.3	64.9	—	-

†Weekly dealings. *Fortnightly dealings

Scottish Amicable
150 St Vincent St, Glasgow 041-248 2323

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds (First Series)				
Managed	466.3	490.9	-1.70	-
Equity	575.9	606.3	-2.30	-
Property	288.5	303.7	—	-
International	478.2	503.4	-2.30	-
Japanese	131.8	138.8	-0.20	-
Asia Pacific	189.1	199.0	-1.70	-
European	133.0	140.0	-0.30	-
American	157.0	165.3	-1.70	-
Fixed Interest	364.6	383.8	-1.40	-
Index-Linked Gilt	195.1	205.4	-1.40	-
Cash	225.5	237.4	—	-
Life Funds (Second Series)				
Managed	130.3	137.2	-0.50	-
Equity	124.3	130.9	-0.50	-
Property	121.7	128.2	+0.10	-
International	148.4	156.3	-0.70	-
Japanese	132.5	139.5	-0.20	-
Asia Pacific	185.3	195.1	-1.80	-
European	132.4	139.4	-0.30	-
American	154.0	162.2	-1.70	-
Fixed Interest	137.6	144.9	-0.60	-
Index-Linked Gilt	125.3	131.9	-0.90	-
Cash	112.3	118.3	—	-
Pension Funds				
Building Society	180.0	189.5	-0.10	-
Managed (Init)	259.4	273.1	-1.20	-
Managed (Acc)	540.0	568.5	-2.40	-
Equity (Init)	285.3	300.4	-1.40	-
Equity (Acc)	594.1	625.4	-2.90	-
Property (Init)	175.8	185.1	—	-
Property (Acc)	366.2	385.5	+0.10	-
International (Init)	272.8	287.2	-1.80	-
International (Acc)	568.0	597.9	-3.20	-
Fixed Interest (Init)	229.2	241.3	-0.80	-
Fixed Interest (Acc)	477.2	502.3	-1.80	-
Cash (Init)	152.1	160.2	-0.10	-
Cash (Acc)	317.0	333.7	—	-
Exempt Emerging Cos	87.80	92.50	+0.10	-

Standard Life Assurance Company
3 George St, Edinburgh EH2 2XZ 031-225 2552

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	699.7	736.6	-4.9	-
Equity	983.5	1035.3	-6.6	-
Fixed Interest	387.3	407.7	-4.8	-
Index-Linked	206.1	217.0	-1.1	-
International	636.6	670.5	-2.2	-
North American	141.8	149.3	-0.8	-
Far East	180.5	190.1	-0.7	-
European	174.9	184.2	-0.4	-
Property	352.4	371.0	+0.9	-
Cash	263.7	277.6	—	-
Pension Managed	981.9	1033.6	-7.1	-
Pension Stock Exchange	221.3	233.0	-1.7	-
Pension Equity	1413.6	1488.1	-12.7	-
Pension Fxd Int	526.3	554.0	-6.2	-
Pension Index-Linked	285.3	300.4	-1.6	-
Pension International	902.4	949.9	-3.0	-
Pension Property	471.1	495.9	+0.6	-
Pension Cash	408.1	429.6	+0.1	-
Pension Nth American	178.7	188.0	-0.8	-
Pension Far East	145.9	153.6	-0.4	-
Pension European	210.7	221.8	-0.7	-

Sun Alliance Group
St Mark's Court Horsham 0403 232323

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed	654.2	689.2	-2.3	-
Deposit	290.2	305.5	—	-
Equity	869.3	908.9	-3.4	-
Equity Income	232.4	244.7	-1.1	-
European	174.4	183.6	-0.2	-
Far East	244.6	257.5	-0.9	-
Fixed Interest	407.9	429.4	-3.8	-
Index Linked	310.5	326.9	-1.8	-
International	647.9	682.0	-3.4	-
North America	242.9	255.7	-2.6	-
Property	515.7	542.9	+1.2	-
Worldwide Bond	157.7	166.0	+0.1	-
International Bond	£28.78		—	-
UK Leader	114.6	120.7	-0.7	-
Broker Funds				
Chessman Private Managed	111.1	117.0	-0.2	-
IAS Emerging Markets	132.3	138.8	+1.0	-
IAS Medium	101.6	106.9	-0.1	-
IAS Low Risk	87.90	92.60	-0.10	-
IAS Discretion	188.6	198.6	-0.2	-
IAS Maximum	231.0	243.2	-0.2	-
Indor Control Monitor	107.4	113.1	—	-
Indor Selective Growth	228.4	240.5	-1.3	-
Indor Worldwide Growth	258.4	269.9	-1.0	-
Moneyhill Growth	264.6	278.6	—	-
Radcliffe Trustees	138.5	145.8	-0.5	-
Pension Funds				

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

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INVESCO International Limited

Jupiter Tyndall (Jersey) Ltd

Lloyds Private Banking (CI) Ltd

Lombard Odier (Jersey) Ltd

Dixa Income Fund

Dolphin Intl Investments (a) SICAV

Dresdnerbank Asset Mangmt SA (a)

E.T. Investment Management Ltd

Eagle Star – Global Assets Fund (m)

Regent Global Fund (u) (z)

Sarasin Investment SICAV (b)

Schroder International Selection Fd (u)

Scottish Equitable Intl Fund SICAV (u)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

MARKETS REPORT

Buba cuts, dollar lags

The surprise 25 basis point cut in official German interest rates yesterday prompted a flurry of similar moves from other European countries, *writes Philip Gawith.*

Switzerland, Austria, Denmark, Belgium and the Netherlands all eased credit policy after the Bundesbank council cut both the Lombard and Discount rates by 25 basis points, to 6.5 per cent and 5 per cent respectively.

Market reaction to the move was unexpected: the dollar weakened, the D-Mark strengthened, and euromark futures suggested greater pessimism about a fall in German interest rates than before the rate-cut.

The dollar's weakness was especially surprising given that, earlier in the day, there had been rumours of the Bundesbank buying dollars to bolster the US currency against the yen. Two US helicopters being shot down in Iraq would also normally have lent support to the dollar.

Later rumours that the Bundesbank was selling dollars for D-Mark dampened any further remnant of positive sentiment towards the US currency.

■ Dollar/yen provided an early focus of attention with the Bundesbank said to be buying dollars heavily on behalf of the Bank of Japan (BOJ). The resignation of prime minister Mr Morihiro Hosokawa has bolstered the yen, with the market believing that a political hiatus aggravates the US/Japan trade dispute.

The dollar closed in London at Y104.080 after opening at Y103.15. There were also rumours of other central banks buying dollars.

Mr David Barrett, proprietary trader at Natwest Markets, said he believed the BOJ had wanted to teach the market - which had very short dollar, long yen positions - a lesson. He said Japanese exporters and car manufacturers had been selling into rallies as they were very worried that the dollar was not rising.

■ Analysts were bemused by yesterday's Bundesbank cut. No fresh data supportive of a cut has appeared since its last meeting. Most observers had expected a move on official rates at the next meeting.

The bemusement among analysts was matched by the indifferent response of the market. The dollar closed at DM1.7088, down from DM1.7135. The D-Mark was stronger across the board in Europe. It closed at FFr3.420 against the French franc from FFr3.419. The peseta weakened to Pta81.30 from Pta81.01.

In the futures markets, meanwhile, there was a very mixed response to what should have been seen as good news.

The June euromark contract finished three basis points higher at 94.63, but the longer contracts lost ground. The June 1995 contract, for example, finished at 94.91, four basis points lower than its opening.

Two rationalisations were offered for market pessimism. First, the scale of the cuts – 25 basis points, when 50 is more common – led some to believe that Germany was at, or near, the bottom of the interest rate cycle. Concern was also expressed that the Bundesbank continued to cut rates when an indicator it attaches great importance to – M3 money supply growth – is growing far beyond its target range.

Few analysts believe German rates have bottomed. Ms Alison Cottrell, international economist at Midland Global Markets, comments: "To begin to call the bottom of the German interest rate cycle already is a sure way to lose money." Midland, and others, are looking for the discount rate to fall to 4 per cent by the end of the year, with a low of about 3.5 per cent some time later.

Mr Avinash Persaud, head of currency research at JP Morgan (Europe) commented: "The Bundesbank is clearly expressing continued concern over the poor performance of the bond market and that appears to outweigh its genuine discomfort over M3 growth."

Analysts believe the decline in official rates will encourage a fall in the repo rate, used by the Bundesbank to set the level of money market rates. The repo was cut by 3 basis points to 5.70 per cent on Wednesday. The market is expecting a repo rate fall of 10-15 basis points next week.

Call money rates fell ahead of the council meeting to 5.60 per cent/5.70 per cent from 5.65/5.75 per cent.

■ Sterling was fairly steady yesterday, with events elsewhere drawing attention away from a good set of trade figures and Wednesday's announcement of a new openness in the conduct of monetary policy.

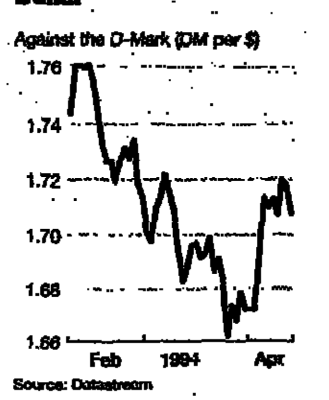
The pound closed at DM2.5239 against the D-Mark from DM2.5275. Against the dollar, it firmed to $1.4771 from $1.4751.

The Bank of England is not expected to follow the Bundesbank's lead with rates. Although analysts anticipate a further cut in UK rates, it is not expected until there is more supportive data, and evidence of the effect of higher taxes on the economy.

In the money markets the Bank of England injected £552m liquidity into the market against a £550m shortage.

In the futures market, the June short sterling contract finished three basis points firmer at 94.64. The longer contracts, however, lost ground.

Dollar



Source: Datastream

■ Pound in New York

Apr 14	—Latest—	— Prev. close —
£ spot	1.4770	1.4760
1 mth	1.4752	1.4743
3 mth	1.4727	1.4716
1 yr	1.4680	1.4665

■ OTHER CURRENCIES

Apr 14	£	$
Hungary	152.912 - 153.132	103.550 - 103.650
Iran	2575.00 - 2581.00	1748.00 - 1750.00
Kuwait	0.4390 - 0.4404	0.2973 - 0.2981
Poland	33008.3 - 33082.9	22380.0 - 22420.0
Russia	2620.24 - 2636.62	1780.00 - 1785.00
U.A.E.	5.4205 - 5.4317	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Apr 14		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.7505	-0.0165	428 - 583	17.8019	17.7323	17.7487	0.3	17.7411	0.2	-	-	113.2
Belgium	(BFr)	51.9412	-0.0396	149 - 675	52.1002	51.8889	51.9762	-0.8	52.0612	-0.9	52.1062	-0.3	114.4
Denmark	(DKr)	9.8900	-0.0039	850 - 949	9.9102	9.8643	9.9002	-1.2	9.9135	-0.9	9.9232	-0.3	114.1
Finland	(FM)	8.1315	-0.0023	221 - 408	8.1600	8.1180	-	-	-	-	-	-	82.1
France	(FFr)	8.6307	-0.0128	264 - 350	8.6504	8.6159	8.6394	-1.2	8.6513	-1.0	8.6532	-0.3	107.0
Germany	(DM)	2.5239	-0.0036	229 - 249	2.5329	2.5196	2.5251	-0.6	2.5269	-0.5	2.5175	0.3	122.2
Greece	(Dr)	369.780	-0.31	323 - 236	370.448	369.323	-	-	-	-	-	-	-
Ireland	(I£)	1.0317	+0.0017	307 - 326	1.0344	1.0276	1.0326	-1.0	1.0341	-0.9	1.0393	-0.7	103.5
Italy	(L)	2410.47	+4.66	936 - 155	2414.33	2404.29	2416.67	-3.1	2427.72	-2.9	2463.62	-2.2	78.1
Luxembourg	(LFr)	51.9412	-0.0396	149 - 675	52.1002	51.8689	51.9762	-0.8	52.0612	-0.9	52.1062	-0.3	114.4
Netherlands	(Fl)	2.8334	-0.0024	322 - 345	2.8400	2.8266	2.8345	-0.4	2.8341	-0.1	2.8234	0.4	117.8
Norway	(NKr)	10.9504	-0.0026	463 - 545	10.9751	10.9221	10.9448	0.5	10.9573	-0.3	10.9485	0.0	84.4
Portugal	(Es)	257.820	-0.167	637 - 102	259.290	257.033	258.795	-4.5	260.74	-4.5	-	-	-
Spain	(Pta)	205.163	+0.352	040 - 285	205.502	204.411	205.653	-2.9	206.548	-2.7	209.568	-2.2	85.2
Sweden	(SKr)	11.6970	+0.0079	887 - 053	11.7239	11.6696	11.718	-2.2	11.754	-1.9	11.873	-1.5	76.5
Switzerland	(SFr)	2.1307	+0.0034	294 - 319	2.1321	2.1240	2.1292	0.8	2.1253	1.0	2.0975	1.6	117.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.0
Ecu	-	1.3047	-0.0003	038 - 056	1.3067	1.3030	1.3059	-1.1	1.308	-1.0	1.3093	-0.4	-
SDR	-	0.948908	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4773	+0.0027	768 - 777	1.4785	1.4736	-	-	-	-	-	-	-
Brazil	(Cr)	1601.20	+32.34	080 - 159	1602.00	1567.00	-	-	-	-	-	-	-
Canada	(C$)	2.0377	+0.0087	368 - 385	2.0412	2.0273	2.0386	-0.5	2.0405	-0.5	2.051	-0.7	87.4
Mexico	(New Peso)	4.9690	+0.0091	641 - 735	4.9738	4.9601	-	-	-	-	-	-	-
USA	($)	1.4771	+0.002	767 - 774	1.4785	1.4735	1.4753	1.5	1.4727	1.2	1.4677	0.6	66.3
Pacific/Middle East/Africa													
Australia	(A$)	2.0419	-0.0019	408 - 429	2.0488	2.0349	2.0404	0.9	2.038	0.8	2.0361	0.3	-
Hong Kong	(HK$)	11.4125	+0.0152	090 - 159	11.4229	11.3850	11.3995	1.4	11.394	0.6	11.345	0.6	-
India	(Rs)	46.3314	+0.0591	130 - 497	46.3770	46.2270	-	-	-	-	-	-	-
Japan	(Y)	153.732	+0.778	651 - 812	154.070	151.530	153.362	2.9	152.617	2.9	149.217	2.9	188.1
Malaysia	(M$)	3.9670	-0.0083	649 - 690	3.9822	3.9619	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6030	-0.0057	007 - 052	2.6110	2.5931	2.6059	-1.3	2.6102	-1.1	2.6188	-0.6	-
Philippines	(Peso)	40.6928	+0.0551	616 - 240	40.9240	40.3712	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5397	+0.0077	381 - 413	5.5445	5.5262	-	-	-	-	-	-	-
Singapore	(S$)	2.3067	+0.0004	054 - 080	2.3122	2.3010	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.3185	-0.002	161 - 209	5.3769	5.3088	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.9244	-0.0409	151 - 336	8.1568	7.6794	-	-	-	-	-	-	-
South Korea	(Won)	1195.08	+0.85	465 - 551	1196.85	1192.36	-	-	-	-	-	-	-
Taiwan	(T$)	38.9424	+0.0306	258 - 590	39.0000	38.8600	-	-	-	-	-	-	-
Thailand	(Bt)	37.3251	+0.0506	014 - 487	37.3487	37.2110	-	-	-	-	-	-	-

†SDR rate for Apr 13. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 14		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	12.0175	-0.0275	150 - 200	12.0650	12.0040	12.038	-2.0	12.065	-1.6	12.0762	-0.5	102.3
Belgium	(BFr)	35.1655	-0.0745	560 - 750	35.3150	35.1100	35.2355	-2.4	35.3455	-2.0	35.5455	-1.1	103.8
Denmark	(DKr)	6.6958	-0.0117	940 - 975	6.7213	6.6850	6.7116	-2.8	6.7361	-2.4	6.7788	-1.2	102.9
Finland	(FM)	5.5052	-0.0091	002 - 102	5.5360	5.5002	5.5119	-1.5	5.5197	-1.1	5.5314	-0.5	78.7
France	(FFr)	5.8432	-0.0166	417 - 447	5.8660	5.8334	5.8554	-2.5	5.8751	-2.2	5.8964	-0.9	103.3
Germany	(D)	1.7088	-0.0047	085 - 090	1.7180	1.7059	1.7117	-2.0	1.7154	-1.5	1.7148	-0.3	103.7
Greece	(Dr)	250.350	-0.55	100 - 600	251.200	250.100	253.65	-15.8	261.1	-17.2	288.8	-15.3	70.0
Ireland	(I£)	1.4317	-0.0005	307 - 327	1.4379	1.4260	1.4287	2.6	1.4233	2.4	1.4063	1.8	-
Italy	(L)	1631.95	+0.95	160 - 229	1636.50	1627.93	1638.3	-4.7	1648.55	-4.1	1679.60	-2.9	78.8
Luxembourg	(LFr)	35.1655	-0.0745	560 - 750	35.3150	35.1100	35.2355	-2.4	35.3455	-2.0	35.5455	-1.1	103.8
Netherlands	(Fl)	1.9163	-0.0042	179 - 186	1.9273	1.9156	1.9213	-1.8	1.9248	-1.4	1.9241	-0.3	103.2
Norway	(NKr)	7.4137	-0.0118	127 - 147	7.4435	7.4021	7.4264	-2.1	7.4497	-1.9	7.4887	-1.0	94.3
Portugal	(Es)	174.550	-0.35	400 - 700	175.850	174.130	175.465	-6.3	177.08	-5.8	182.225	-4.4	93.1
Spain	(Pta)	138.900	+0.05	850 - 950	139.350	138.600	139.44	-4.7	140.255	-3.9	142.825	-2.8	80.7
Sweden	(SKr)	7.9192	-0.0054	154 - 229	7.9520	7.9023	7.9442	-3.8	7.987	-3.4	8.1102	-2.4	82.0
Switzerland	(SFr)	1.4425	+0.0003	420 - 430	1.4460	1.4390	1.4431	-0.5	1.4432	-0.2	1.4288	1.0	104.2
UK	(£)	1.4771	+0.002	767 - 774	1.4785	1.4735	1.4753	1.5	1.4727	1.2	1.4677	0.6	88.7
Ecu	-	1.1321	+0.0016	316 - 326	1.1335	1.1285	1.1296	2.7	1.1258	2.2	1.1205	1.0	-
SDR	-	1.39263	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0002	+0.0005	001 - 002	1.0002	1.0000	-	-	-	-	-	-	-
Brazil	(Cr)	1084.05	+20.45	404 - 406	1084.06	1084.02	-	-	-	-	-	-	-
Canada	(C$)	1.3796	+0.004	793 - 799	1.3817	1.3747	1.3818	-1.9	1.3853	-1.7	1.3972	-1.3	83.9
Mexico	(New Peso)	3.3641	+0.0016	616 - 666	3.3666	3.3616	3.3651	-0.4	3.3669	-0.3	3.3743	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	101.0
Pacific/Middle East/Africa													
Australia	(A$)	1.3824	-0.0031	820 - 827	1.3875	1.3801	1.3837	-1.1	1.3863	-1.7	1.399	-1.2	83.4
Hong Kong	(HK$)	7.7265	-0.0002	260 - 270	7.7270	7.7260	7.7295	-0.5	7.7355	-0.5	7.7602	-0.4	-
India	(Rs)	31.3675	-0.0025	625 - 725	31.3725	31.3625	31.4325	-2.5	31.5675	-2.6	-	-	-
Japan	(Y)	104.080	+0.285	050 - 110	104.430	102.700	103.93	1.7	103.63	1.7	101.68	2.3	148.8
Malaysia	(M$)	2.6858	-0.0092	850 - 865	2.6935	2.6850	2.6768	3.1	2.6633	3.4	2.7258	-1.5	-
New Zealand	(NZ$)	1.7623	-0.0062	612 - 634	1.7687	1.7612	1.7635	-0.9	1.769	-1.3	1.7899	-1.6	-
Philippines	(Peso)	27.5500	-	000 - 000	27.7000	27.4000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	+0.0001	503 - 507	3.7507	3.7503	3.7512	-0.2	3.7535	-0.3	3.765	-0.4	-
Singapore	(S$)	1.5617	-0.0018	612 - 622	1.5640	1.5600	1.5611	0.5	1.5605	0.3	1.5592	0.2	-
S Africa (Com.)	(R)	3.6008	-0.0062	000 - 015	3.6465	3.5950	3.6173	-5.5	3.6433	-4.7	3.7363	-3.8	-
S Africa (Fin.)	(R)	5.3650	-0.035	600 - 700	5.5300	5.2025	5.399	-7.6	5.453	-7.0	-	-	-
South Korea	(Won)	809.150	-0.45	600 - 200	809.350	806.000	812.1	-4.4	815.5	-3.2	834.1	-3.1	-
Taiwan	(T$)	26.3650	-0.015	600 - 700	26.3800	26.3700	26.4305	-3.0	26.531	-2.5	-	-	-
Thailand	(Bt)	25.2700	-	600 - 800	25.2800	25.2500	25.35	-3.8	25.475	-3.2	25.995	-2.9	-

†SDR rate for Apr 13. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Apr 13. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 14		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.04	16.62	4.859	1.987	4640	5.454	21.08	496.3	395.1	22.53	4.103	1.925	3.924	2.844	295.9	2.513
Denmark	(DKr)	52.52	10	8.727	2.552	1.043	2437	2.865	11.07	260.7	207.5	11.83	2.155	1.011	2.061	1.493	155.4	1.320
France	(FFr)	60.18	11.46	10	2.924	1.196	2792	3.282	12.69	298.7	237.7	13.56	2.469	1.159	2.361	1.711	178.1	1.512
Germany	(DM)	20.58	3.918	3.420	1	0.409	954.8	1.122	4.338	102.1	81.30	4.635	0.844	0.396	0.807	0.585	60.90	0.517
Ireland	(I£)	50.33	9.583	8.363	2.446	1	2335	2.745	10.61	249.8	198.8	11.34	2.065	0.969	1.975	1.431	148.9	1.265
Italy	(L)	2.155	0.410	0.358	0.105	0.043	100.	0.118	0.454	10.70	8.515	0.485	0.088	0.041	0.085	0.061	6.378	0.054
Netherlands	(Fl)	18.32	3.491	3.047	0.891	0.364	850.7	1	3.865	91.00	72.43	4.130	0.752	0.353	0.719	0.521	54.25	0.461
Norway	(NKr)	47.43	9.032	7.882	2.305	0.942	2201	2.587	10	235.4	187.4	10.68	1.946	0.913	1.861	1.349	140.4	1.192
Portugal	(Es)	20.15	3.826	3.348	0.979	0.400	934.8	1.099	4.247	100.	79.60	4.538	0.827	0.388	0.791	0.573	59.62	0.506
Spain	(Pta)	25.31	4.820	4.206	1.230	0.503	1174	1.381	5.336	125.6	100.	5.702	1.038	0.487	0.993	0.720	74.90	0.636
Sweden	(SKr)	44.39	8.453	7.377	2.157	0.882	2060	2.421	9.350	220.3	175.4	10	1.821	0.855	1.742	1.262	131.4	1.115
Switzerland	(SFr)	24.37	4.641	4.050	1.184	0.484	1131	1.329	5.138	121.0	96.29	5.490	1	0.469	0.956	0.693	72.13	0.612
UK	(£)	51.94	9.890	8.631	2.524	1.032	2410	2.833	10.95	257.8	205.2	11.70	2.131	1	2.038	1.477	153.7	1.305
Canada	(C$)	25.49	4.853	4.235	1.238	0.506	1183	1.390	5.373	126.5	100.7	5.741	1.046	0.491	1	0.725	75.42	0.640
US	($)	35.17	6.696	5.844	1.709	0.699	1632	1.918	7.414	174.5	138.9	7.921	1.443	0.677	1.380	1	104.1	0.884
Japan	(Y)	337.9	64.35	56.15	16.42	6.714	15680	18.43	71.24	1677	1335	76.12	13.86	6.506	13.26	9.610	1000.	8.491
Ecu		39.30	7.579	6.614	1.934	0.791	1847	2.171	8.391	197.5	157.2	8.966	1.633	0.766	1.562	1.132	117.8	1

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5830	0.5824	-0.0008	0.5836	0.5804	42,207	90,069
Sep	0.5809	0.5808	-0.0022	0.5812	0.5795	44	2,639
Dec	-	0.5816	-	-	-	1	123

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6941	0.6926	-0.0017	0.6944	0.6912	18,414	33,806
Sep	0.6933	0.6930	-0.0022	0.6945	0.6920	18	363
Dec	-	0.6950	-	-	0.6945	-	-

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9710	0.9630	-0.0077	0.9762	0.9600	19,615	51,617
Sep	0.9710	0.9681	-0.0073	0.9710	0.9665	75	2,319
Dec	-	0.9740	-	-	0.9740	4	620

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.4730	1.4730	+0.0004	1.4736	1.4694	19,615	47,451
Sep	-	1.4680	-	-	1.4680	34	949
Dec	-	1.4650	-	-	1.4650	2	33

EMS EUROPEAN CURRENCY UNIT RATES

Apr 14	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.788161	-0.002664	-2.53	5.23	17
Netherlands	2.19672	2.17411	-0.00166	-1.03	3.84	-
Belgium	40.2123	39.8652	-0.025	-0.86	3.46	6
Germany	1.94964	1.93713	-0.00143	-0.64	3.23	-
France	6.53883	6.62390	-0.00356	1.30	1.25	-11
Spain	154.250	157.265	+0.208	1.96	0.60	-14
Denmark	7.43679	7.58392	-0.00292	1.98	0.58	-14
Portugal	192.854	197.808	+0.04	2.57	0.00	-17
NON ERM MEMBERS						
Greece	264.513	283.754	-0.048	7.27	-4.39	-
Italy	1793.19	1847.64	-0.21	3.04	-0.45	-
UK	0.786749	0.766790	-0.003028	-2.54	5.24	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Apr	May	Jun	PUTS Apr	May	Jun
1.400	7.43	7.28	7.31	-	-	0.16
1.425	4.93	4.69	5.15	-	0.08	0.49
1.450	2.49	2.77	3.30	-	0.45	1.12
1.475	0.27	1.24	1.92	0.24	1.36	2.18
1.500	-	0.41	1.00	2.41	2.97	3.68
1.525	-	0.08	0.45	4.86	5.13	5.62

Previous day's vol., Calls 6,436 Puts 7,851 . Prev. day's open int., Calls 511,384 Puts 468,492

WORLD INTEREST RATES

MONEY RATES

April 14	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	-	6	6	6	6¼	7.40	4.75	-
week ago	-	6	6¼	6¼	6¼	7.40	5.00	-
France	6⅛	6⅛	6¼	6	5⅞	5.90	-	7.75
week ago	6¼	6⅛	6¼	6	5⅞	5.90	-	7.75
Germany	5.80	5.70	5.60	5.45	5.35	6.50	5.00	5.70
week ago	5.83	5.70	5.70	5.60	5.43	6.75	5.25	5.73
Ireland	6	6⅛	6⅛	6⅛	6¼	-	-	6.75
week ago	6	6⅛	6⅛	6¼	6¼	-	-	6.75
Italy	8¼	8¼	8¼	8¼	8¼	-	8.00	8.27
week ago	8¼	8¼	8¼	8¼	8¼	-	8.00	8.27
Netherlands	5.53	5.42	5.30	5.27	5.26	-	5.25	-
week ago	5.53	5.42	5.31	5.27	5.25	-	5.25	-
Switzerland	4¼	4¼	4⅛	4¼	4¼	6.625	3.50	-
week ago	4¼	4¼	4⅛	4¼	4	6.625	4.00	-
US	3½	3¾	3⅞	4⅜	5	-	3.00	-
week ago	3¼	3¾	3⅞	4¼	4⅞	-	3.00	-
Japan	2⅛	2¼	2¼	2⅜	2¼	-	1.75	-
week ago	2⅛	2⅛	2¼	2¼	2¼	-	1.75	-
$ LIBOR FT London								
Interbank Fixing	-	3⅝	4	4¼	5¼	-	-	-
week ago	-	3¾	4	4⅜	4⅞	-	-	-
US Dollar CDs	-	3.56	3.86	4.21	4.80	-	-	-
week ago	-	3.58	3.82	4.14	4.71	-	-	-
SDR Linked Ds	-	3⅛	3⅜	3⅞	4	-	-	-
week ago	-	3⅞	3½	3⅜	4	-	-	-

ECU Linked Ds mid rates: 1 mth 6⅛; 3 mths 6¼; 6 mths 6¼; 1 year 6 . $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds)

EURO CURRENCY INTEREST RATES

Apr 14	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	6 3/16 - 5 15/16	6 3/16 - 5 15/16	6 3/16 - 5 15/16	6 3/16 - 5 15/16	6 5/16 - 5 15/16	6 3/16 - 5 15/16
Danish Krone	6½ - 6	6⅛ - 5⅞	6⅛ - 5¾	6⅛ - 5⅞	6¼ - 6 1/16	6⅜ - 5 15/16
D-Mark	5⅝ - 5½	5 11/16 - 5 9/16	5¾ - 5⅝	5⅝ - 5½	5½ - 5⅜	5⅝ - 5⅜
Dutch Guilder	5⅝ - 5⅛	5⅝ - 5⅛	5⅝ - 5⅛	5⅜ - 5¼	5⅜ - 5⅛	5⅜ - 5⅛
French Franc	6⅜ - 6⅛	6⅛ - 6	6⅜ - 5 15/16	6 - 5⅞	5 15/16 - 5 13/16	5 15/16 - 5 13/16
Portuguese Esc.	16 - 15	18 - 16	15½ - 11½	12 - 9½	11 - 9	11 - 9½
Spanish Peseta	8¼ - 8⅛	8¼ - 8⅛	8 - 7⅞	7 15/16 - 7 13/16	7 15/16 - 7 13/16	7 15/16 - 7 13/16
Sterling	4¾ - 4⅝	5 - 4⅞	5⅛ - 5	5¼ - 5⅛	5⅜ - 5¼	5⅝ - 5½
Swiss Franc	4⅜ - 4⅛	4⅜ - 4⅛	4¼ - 4⅛	4⅜ - 4¼	4¼ - 3 15/16	4⅛ - 3 15/16
Can. Dollar	5⅜ - 5½	5¾ - 5½	5⅝ - 5⅛	5 11/16 - 5⅛	6 - 5⅞	6⅛ - 6⅛
US Dollar	3½ - 3⅜	3⅝ - 3½	3¾ - 3⅝	4 - 3⅞	4⅛ - 4⅜	5⅛ - 4 15/16
Italian Lira	9 - 7½	8 - 7½	8 - 7½	8 - 7½	8 - 7½	8⅛ - 7⅞
Yen	2⅜ - 2¼	2¼ - 2⅛	2⅜ - 2¼	2⅜ - 2¼	2⅜ - 2¼	2⅝ - 2½
Asian $Sing	3½ - 2½	3½ - 2½	3½ - 2½	4 - 3	4 - 3	4¼ - 3¼

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.12	94.20	+0.07	94.22	94.11	36,287	77,104
Sep	94.38	94.40	+0.04	94.41	94.33	13,388	45,479
Dec	94.46	94.49	+0.01	94.52	94.44	13,128	35,248
Mar	94.50	94.50	-0.03	94.52	94.46	9,407	38,146

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.51	95.51	-0.02	95.52	95.51	229	4084
Sep	94.94	94.92	-0.04	94.94	94.91	311	2135
Dec	94.33	94.32	-0.08	94.34	94.33	247	1431
Mar	94.07	94.05	-0.10	94.07	94.07	5	910

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.59	94.63	+0.03	94.64	94.57	49301	225397
Sep	94.84	94.87	+0.02	94.89	94.81	37961	166160
Dec	94.96	94.98	-	94.99	94.92	36533	171711
Mar	95.05	95.02	-0.03	95.06	95.00	27411	172531

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.04	92.19	+0.14	92.20	92.00	11996	55905
Sep	92.29	92.40	+0.13	92.40	92.22	3915	26385
Dec	92.35	92.48	+0.11	92.48	92.34	2760	38719
Mar	92.36	92.45	+0.09	92.46	92.32	1690	9267

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.03	96.19	+0.17	96.20	96.02	21800	35165
Sep	96.12	96.21	+0.08	96.22	96.12	3350	8538
Dec	96.09	96.13	+0.02	96.15	96.09	1018	3820
Mar	95.95	95.95	-0.03	95.95	95.95	6	433

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.01	94.06	+0.05	94.06	94.00	1582	11299
Sep	94.24	94.26	+0.03	94.26	94.21	1013	11534
Dec	94.33	94.33	-	94.35	94.31	412	6727
Mar	94.33	94.33	-0.01	94.35	94.31	247	1837

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.51	95.50	-0.02	95.52	95.50	122,335	467,231
Sep	94.93	94.91	-0.03	94.94	94.90	157,599	379,583
Dec	94.35	94.32	-0.03	94.35	94.30	122,938	306,063

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.98	95.96	-0.02	95.98	95.96	4,322	38,297
Sep	95.45	95.45	-0.03	95.46	95.44	2,881	10,976
Dec	-	94.96	-0.05	-	94.96	315	4,834

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9450	0.16	0.41	0.56	0.03	0.04	0.08
9475	0.04	0.23	0.38	0.16	0.11	0.15
9500	0.01	0.11	0.23	0.38	0.24	0.25

Est. vol. total, Calls 4578 Puts 1775. Previous day's open int., Calls 207698 Puts 149325

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9600	0.21	0.28	0.28	0.02	0.07	0.15
9625	0.06	0.12	0.15	0.12	0.16	0.27
9650	0.02	0.04	0.06	0.33	0.33	0.43

Est. vol. total, Calls 0 Puts 0 Previous day's open int., Calls 489 Puts 3650

UK INTEREST RATES

LONDON MONEY RATES

Apr 14	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5¼ - 3½	5 1/16 - 4 15/16	5⅛ - 4 15/16	5¼ - 5⅛	5 7/16 - 5 5/16	5¾ - 5⅝
Sterling CDs	-	-	5 1/16 - 5	5⅛ - 5 1/16	5 5/16 - 5¼	5 9/16 - 5½
Treasury Bills	-	-	4 29/32 - 4 27/32	5 - 4 15/16	-	-
Bank Bills	-	-	4 29/32 - 4 27/32	5 - 4 15/16	5⅛ - 5 1/16	-
Local authority deps.	5 1/16 - 4 15/16	4 15/16 - 4 17/16	5⅛ - 5	5⅛ - 5	5 5/16 - 5 3/16	5 9/16 - 5 7/16
Discount Market Deps	5 - 4	4 15/16 - 4 13/16	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 4.3125pc. ECGD fixed rate Stlg. Export Finance. Make up day March 31, 1994. Agreed rate for period Apr 26, 1994 to May 24, 1994, Schemes II & III 6.47pc. Reference rate for period Mar 1, 1994 to Mar 31, 1994, Schemes IV & V 5.214pc. Finance House Base Rate 5½pc from Apr 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.62	94.64	+0.03	94.65	94.58	19007	107620
Sep	94.40	94.40	+0.01	94.42	94.33	23128	83080
Dec	94.07	94.04	-0.02	94.08	93.98	20017	115363
Mar	93.67	93.60	-0.05	93.67	93.52	7260	46789

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9450	0.21	0.23	0.19	0.07	0.33	0.65
9475	0.07	0.13	0.12	0.18	0.48	0.83
9500	0.02	0.03	0.06	0.38	0.68	1.02

Est. vol. total, Calls 4880 Puts 5207. Previous day's open int., Calls 150884 Puts 160846

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	Standard Chartered	5.25
Bank of Baroda	5.25	Girobank	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	●United Bk of Kuwait	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Western Trust	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Whiteaway Laidlaw	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25	Yorkshire Bank	5.25
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of British Merchant Banking & Securities Houses Association
* In administration

LONDON TRADITIONAL OPTIONS. April 14

First Dealings 5/4 , Last Dealings 15/4 , Last Declarations 14/7 , For settlement 25/7

Calls: Amstrad, Avesco, Brown & Jackson, Hanson Wts., Hazlewood Foods, Kelt Energy, NHL, Regalian Props., Tullow Oil, Wellman Eng. Put: Wellman Eng. Puts & Calls: Asda, Brown & Jackson, Euro Disney, RTZ, Tarmac.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 14 / Sch)

BELGIUM/LUXEMBOURG (Apr 14 / Frs.)

DENMARK (Apr 14 / Kr)

FINLAND (Apr 14 / Mka)

FRANCE (Apr 14 / Frs.)

GERMANY (Apr 14 / Dm.)

ITALY (Apr 14 / Lira)

NETHERLANDS (Apr 14 / Frs.)

NORWAY (Apr 14 / Kroner)

SPAIN (Apr 14 / Pts.)

SWEDEN (Apr 14 / Kronor)

SWITZERLAND (Apr 14 / Frs.)

PACIFIC

JAPAN (Apr 14 / Yen)

AUSTRALIA (Apr 14 / Aus$)

HONG KONG (Apr 14 / H.K.$)

MALAYSIA (Apr 14 / MYR)

SINGAPORE (Apr 14 / S$)

NORTH AMERICA

CANADA

TORONTO (Apr 14 / Can $)

4 pm close

MONTREAL (Apr 14 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Apr 14 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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TOKYO - MOST ACTIVE STOCKS: Thursday, April 14, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Showa Line	9.3m	273	+7	Japan Mtl	5.7m	672	+10
Denki Kagaku	8.5m	422	+26	Sumitomo Coal	5.4m	988	-42
Isuzu Motors	6.8m	488	+4	NEC	5.0m	1130	-20
Hitachi	6.4m	974	-3	Marubeni	4.5m	522	+6
Ricoh	5.7m	885	-8	Teikoku Oil	4.1m	758	+16

INDICES

	Apr 14	Apr 13	Apr 12	1994 High		1994 Low	
Indonesia Jakarta Comp.(10/8/82)	467.26	462.37	(c)	612.88	5/1	458.91	11/4
Ireland ISEQ Overall(4/1/88)	1848.46	1850.47	1840.69	2082.16	20/1	1801.05	5/4
Italy Banca Comm Ital (1972)	788.76	788.76	800.50	806.60	12/4	588.66	10/1
MIB Generali (4/1/94)	1270.0	1271.0	1291.0	1291.00	12/4	944.66	10/1
Japan Nikkei 225 (16/5/49)	19887.20	20080.41	19648.33	20677.77	16/3	17369.74	4/1
Nikkei 300 (1/10/82)	297.39	298.35	293.33	304.25	1/3	268.22	4/1
Topix (4/1/68)	1623.48	1618.89	1600.72	1653.27	16/3	1445.97	4/1
2nd Section (4/1/68)	2251.58	2238.40	2227.30	2251.88	14/4	1873.33	4/1
Malaysia KLSE Comp.(4/4/86)	1021.30	1029.46	1024.82	1314.46	5/1	928.33	4/4

MS Capital Int (1/1/70)§	607.5*	609.1	609.1	641.05	1/2	591.55	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1467.07	1476.04	1466.27	1540.19	31/1	1393.60	2/3
Euro Top-100 (26/6/90)	1259.39	1265.44	1274.26	1311.91	2/2	1292.49	2/3
JCapelOrgnls (31/12/88)	(u)	320.39	319.73	395.19	5/1	298.28	21/3
Barings Emerg.(7/1/92)	151.23	153.77	153.63	182.72	14/2	147.35	5/4

** Sat Apr 9 : Taiwan Weighted Price 5566.84; Korea Comp Ex 883.42. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. † IBIS/DAX after-hours index: Apr 14 - 2108.24 -16.95

CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Apr	2154.0	2142.5	-12.5	2242.0	2131.0	23,474	24,916
May	2153.5	2143.0	-12.5	2164.5	2135.0	3,083	10,168
Jun	2138.0	2126.5	-12.5	2138.0	2116.0	3,366	22,820

Open interest figures for previous day.

US INDICES

Dow Jones	Apr 13	Apr 12	Apr 11	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3661.47	3681.69	3688.83	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	99.37	99.39	99.39	105.61 (21/1)	99.37 (13/4)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1618.41	1620.18	1628.57	1862.29 (2/2)	1506.94 (4/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	193.78	193.18	194.31	227.88 (3/1)	192.89 (4/4)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3704.30 (3722.14) Low 3661.47 (3661.17) (Theoretical♦)
Day's high 3695.56 (3703.70) Low 3631.42 (3673.96) (Actual♦)

Standard and Poors							
Composite ‡	446.26	447.57	449.87	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials¶	518.51	521.43	524.67	580.58 (2/2)	513.34 (4/4)	580.58 (2/2/94)	3.62 (21/6/32)
Financial¶	43.71	43.95	44.09	46.58 (31/1)	41.39 (4/4)	48.48 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	247.46	248.35	249.45	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	437.95	439.69	440.66	487.89 (2/2)	434.13 (4/4)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	727.38	739.22	748.11	803.93 (18/3)	727.38 (13/4)	803.93 (18/3/94)	54.87 (31/10/72)

RATIOS

	Apr 8	Mar 31	Mar 25	Year ago
Dow Jones Ind. Div. Yield	2.78	2.81	2.70	3.02
	Apr 13	Apr 6	Mar 30	Year ago
S & P Ind. Div. yield	2.51	2.48	2.51	2.49
S & P Ind. P/E ratio	23.67	23.87	23.55	26.13

STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Jun	446.05	444.50	-1.60	446.80	444.25	67,139	185,768
Sep	-	-	-	-	-	-	-
Dec	-	-	-	-	-	-	-

Open interest figures are for previous day.

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Telefonos	4,685,000	58⅝	-⅜
Airtouch	3,588,800	23	+⅛
IBM	3,488,600	52⅝	-½
Merck	3,357,900	29⅝	[illegible]
Motorola	3,097,300	95⅛	-⅛
Circus	2,476,900	26¾	-2⅛
Philip Morris	2,435,300	48½	+⅛
Gen Motors	2,374,700	55⅝	-⅛
Citicorp	2,320,300	38⅝	-1⅛
Chrysler	2,249,800	50⅝	-⅛

TRADING ACTIVITY

● Volume (million)	Apr 13	Apr 12	Apr 11
New York SE	278.033	248.032	237.675
Amex	14.818	16.569	14.252
NASDAQ	343.358	290.764	238.173
NYSE			
Issues Traded	2,792	2,771	2,784
Rises	680	873	1,168
Falls	1,514	1,246	1,012
Unchanged	598	652	604
New Highs	13	28	28
New Lows	122	87	89

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

4 pm close April 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	1994 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
17⅞	14⅛	AAR	0.48	3.0	533	91	16⅛	15¾	16	-⅛
16⅞	14	A L Labs A	0.16	1.2	34	167	14⅞	14⅝	14¾	+⅛
65½	58¼	AMP	1.68	2.8	21	1042	60⅞	59⅛	59⅞	+½
72⅞	55½	AMR			27	5124	56⅝	d55¼	55⅝	-1⅛
5	3⅝	ARX			14	66	4⅜	4⅛	4¼	
56⅛	38⅜	ASA	2.00	5.0	26	684	40⅛	d38⅝	38¾	-⅛
30⅝	25⅞	AbbtL x	0.76	2.8	18	12225	27⅝	26⅞	27⅛	-⅛
13¾	11⅞	AbitiBd Pr	0.50	4.0	8	215	12⅞	12¼	12½	-½
13¾	11⅛	Acptncain			21	30	11¾	11½	11¾	+¼
31	24½	ACE Ltd	0.40	1.4	4	289	28¼	28	28	-⅜
12½	10⅛	ACM Gvt In	1.09	10.0		1453	11	10¾	11	-⅛
10⅛	7⅞	ACM GvOpp	0.80	9.6		19	8⅜	8¼	8¼	
10⅝	8⅛	ACM Gvt Sp	0.98	10.8		208	8⅞	8¾	8⅞	+⅛
12	9¾	ACM Gvt Se	1.09	10.7		741	10⅜	10⅛	10¼	-⅛
11¾	8¾	ACM Mun	1.08	10.8		144	10	9⅞	10	
9¼	8	ACM Managd	0.72	8.7		64	8⅜	8¼	8¼	
12	8¾	AcmeClv	0.44	3.8	14	117	11⅝	11½	11⅝	-⅛
8½	7⅛	Acme Elect			34	15	8⅛	8	8	-⅛
28¼	23	Acordia	0.60	2.2	13	110	27¼	27	27⅛	-¼
9¼	5¾	Actava	0.36	4.6	3	2294	7⅞	7⅛	7¾	+⅜
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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Continued on next page

4 pm close April 14

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		Continued from previous page								
18½	13⅝	StrylQ	0.36	2.6	7	319	14	13¾	13⅞	-⅛
27	19¼	Safeway			25	1636	25½	25⅛	25⅛	-⅜
6⅞	4⅞	SafewayW96				29	6	5⅞	5⅞	-⅛
57⅞	50¼	StJoePaper	0.20	0.4	280	61	53⅛	53⅛	53⅜	+¼
30¼	28	StJoeLAP	1.80	6.2	14	5	29¼	28¾	29¼	-¼
80	76⅜	StPaul	3.00	3.7	8	1121	80⅛	79⅜	80⅝	+1⅛
9⅜	6¾	Salant Crp			10	93	9⅛	8	8⅛	+⅛
49⅞	41¾	Sallie Mae	1.40	3.4	8	3521	42	d40⅝	40⅝	-1¼
13⅞	11⅞	Salomon Br	0.34	2.8		428	12⅜	12¼	12¼	
52¼	44¾	Salomon	0.64	1.3	8	2267	50⅝	49¾	50	-⅝
25	21½	SnDgGE	1.52	6.8	11	809	22	21¾	22	+⅛
10	7½	SantaFeEPts	0.16	1.9	9	2307	8⅝	8	8½	+⅜
40	34⅝	SantaFePac	2.80	7.7	17	23	36⅜	36	36⅛	+½
28¼	21¾	SanFeP	0.10	0.4	12	1649	23⅜	23⅛	23¼	-¼
26	20⅞	SaraLee	0.64	3.0	14	5087	21⅝	21¼	21½	
50⅛	44½	Scana Corp	2.82	6.3	12	254	44⅝	44⅝	44¾	
20½	16	Scecrp	1.42	8.7	11	7113	16½	16⅛	16¼	
40½	34¾	SchererRP			27	241	35¾	35⅜	35½	
69⅞	54½	SchPl	1.80	3.2	13	3948	56¼	55⅞	55⅝	-⅜
61½	50¾	Schlmb	1.20	2.3	21	7196	52¾	51⅝	51⅝	-¾
33	25¼	Schwab(C)	0.28	1.0	13	1630	27⅜	26⅝	27¼	+⅛
10⅜	6⅛	Schwitzer			26	70	9½	9¼	9⅛	-⅛
38⅞	25¼	SciAtl	0.12	0.5	51	4128	26⅛	d24⅞	25⅞	-¼
16⅞	13⅞	Scotsman	0.10	0.7	13	191	13⅞	d13¾	13⅞	-⅛
45⅞	38½	ScottP	0.80	2.1	9	6312	38⅝	d38	38	-1⅞
28⅝	18⅝	ScuddrNAsF	0.21	0.9		184	22⅞	22	22⅞	
12⅝	9¾	ScuddrNEuF	0.16	1.5		69	10½	10⅜	10⅜	-⅛

NASDAQ NATIONAL MARKET

4 pm close April 14

AMEX COMPOSITE PRICES

4 pm close April 14

AMERICA

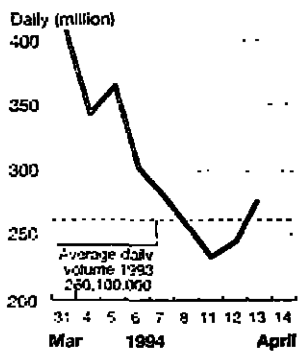
US stocks overcome Mideast jitters

Wall Street

US stocks rose slightly yesterday morning after recovering from a scare over US relations with Iraq and a early round of program selling, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 5.35 better at 3,666.82, while the more broadly based Standard & Poor's 500 edged 0.37 higher to 446.63. In the secondary markets, the American SE composite was virtually unchanged at 437.96, and the Nasdaq composite added 2.36 to 727.38.

NYSE volume



Stocks opened with investors rattled by erroneous reports of hostile fire downing two US helicopters in northern Iraq. When it emerged that the aircraft were shot down accidently by US forces, the market reversed course and pushed into positive territory.

A parallel recovery by bonds was a help, and a small gain in weekly claims for state unemployment benefit was no impediment. Most investors, however, were sitting pat ahead of today's important data on industrial production and capacity utilisation.

Among individual issues, Chevron outperformed the Dow industrials thanks to an upgrading by Salomon Brothers. The stock climbed [illegible] to [illegible].

Computer and semiconductor stocks were mixed. Motorola shed $3⅞ to $94⅞. Compaq Comuter gained $1⅞ to $99⅞ after CS First Boston lifted its earnings estimates

National Medical Enterprises was the NYSE's most active issue, with the company expected to announce an agreement to settle federal allegations of fraud. The stock was marked up $1⅛ to $17⅛ in volume of 6m shares.

On the Nasdaq, technology issues regained their stride after falls in the previous two sessions. Adobe Systems jumped $2⅞ to $24¼, and Synopsys added $1¼ to $41¼.

Canada

Toronto stocks recovered early losses by midsession following clarification of developments in the Middle East. The TSE 300 index rose 1.08 to 4,249.88 in volume of 9.5m shares valued at C$163.3m.

The forest products sector was weak, off nearly 1 per cent, with Canfor Corp losing C$¾ to C$42 while International Forest Products fell C1¼ to C$16.

Mexico

Equities continued to ease after a fall of 2 per cent on Wednesday to the lowest closing level since November 1993.

In early trading the IFC index had slipped a further 7.36 to 2,192.54. Investors were unsettled by Wednesday's rise in interest rates to 14.58 per cent.

SOUTH AFRICA

Shares were volatile as a dip in the gold price combined with further political turbulence ahead of the elections later this month. The overall index weakened 68 to 4,955, industrials shed 45 to 5,706 and golds lost 30 to 1,955.

De Beers slipped R3 to R106.50 and Anglos lost R7 to R206.50.

EUROPE

Bundesbank rate cuts fails to give bourses a lift

An *unexpected cut in discount* rate from the Bundesbank did battle yesterday with falling bond prices in Europe and the US, and the bond prices won, *writes Our Markets Staff.*

Mr Joe Rooney, European equity strategist at Lehman Brothers in London, said that the cuts were too little, and came too late to help bourses which saw them, responded momentarily and then waited for New York to open.

Sentiment was then shaken by a story that Iraq had shot down two US helicopters; the later news that they might have been shot down, by mistake, by US fighters did little to improve matters.

However, said Mr Rooney, Lehman was still happier about bourse prospects than it was at the turn of the year: "A number of risks," he said, "have been removed."

Long bond yields have risen, he said, but faster than the brokers expected; Lehman now expects them to decouple from their US counterparts, helped by falling inflation in countries like Germany. Further, cross-border selling of European equities this year suggests that many of the aggressive positions taken at the end of last year have been unwound.

FRANKFURT's Dax index, weak ahead of the Buba news, recovered a token 4 points on the interest rate cuts and then lost them again. The lead indicator closed the session 10.48 down at 2,198.71, and ended the afternoon a mere fraction lower again, at 2,198.24.

German bunds reported profit-taking after the Buba cuts, and were hit by falling US treasuries when the Iraq helicopter story appeared. Equities, said traders, had no option but to follow suit.

Turnover rose from DM8.3bn to DM9.5bn. Banks were preoccupied once again with the potential collapse of the Jürgen Schneider property empire, and the repercussions on their loan loss ratios.

Deutsche Bank, said to be the biggest lender to the company, fell another DM12.70 to DM782.80; yet Commerzbank, thought to have relatively little exposure, dropped proportionately more, by DM7.50 to DM353. The sector as a whole was weak, and construction stocks also seemed affected with Bilfinger & Berger down DM26 at DM859, and Holzmann DM35 lower at DM920.

Elsewhere, interest continued in special situations, with PWA up another DM7 to DM240, Kugelfischer by DM8 more to DM279 and Mannesmann and Thyssen, on their diversification into the telephone business, by DM8.50 to DM460.50, and DM4.50 to DM289 respectively.

FT-SE Actuaries Share Indices

Apr 14							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1469.99	1467.02	1468.25	1469.85	1468.57	1467.87	1465.84	1467.07
FT-SE Eurotrack 200	1485.53	1481.32	1483.24	1483.85	1481.73	1480.37	1481.13	1482.81

	Apr 13	Apr 12	Apr 11	Apr 8	Apr 7
FT-SE Eurotrack 100	1476.04	1488.27	1479.07	1461.08	1457.70
FT-SE Eurotrack 200	1492.35	1500.59	1489.72	1477.01	1475.47

Base 1000 (26/10/90); High/day: 100 - 1472.29; 200 - 1485.53 Low/day: 100 - 1465.45 200 - 1479.42

PARIS slipped back after the German news; the market had already discounted a cut, and had been hoping for somewhat more than was announced. The CAC-40 index saw a session low of 2,123.70, before closing off 13.31 to 2,139.05.

Taking a broader view Mr Andrew Shepherd-Barron of Kleinwort Benson in London reiterated that his house had gone underweight in France at the beginning of the month. One of the pressures on the market, he added was the recent flow of convertible bonds, rights issues and placings which had been taking money away from equities.

However, he maintained a positive outlook over the longer term, as corporate earnings improved in line with the healthier economic picture.

Lyonnaise des Eaux-Dumez improved FFr8 to FFr573 after announcing a satisfactory set of 1993 results, and a FFr1 rise in the dividend to FFr11.

AMSTERDAM concentrated on international stocks as the AEX index slipped 0.39 to 423.69, up from a session low of 420.72.

Internatio-Mueller, the transport and trading group, pleased the market with 1993 results and its forecast of a further improvement in the current year and the shares put on Fl 5.50 to Fl 87.00.

One of the day's biggest rises was seen in Hagemeyer, the international trading group, whose major shareholder is First Pacific of Hong Kong. The shares gained Fl 7.20 to Fl 147, but traders said volume was thin.

ZURICH was unimpressed by its own, larger than expected, 50 basis point cut in the discount rate to 3.50 per cent and the SMI index fell 34.0 to 2,343.7, near its low for the day.

Mr Frederick Hasslauer at Bank Sal Oppenheim said that the subdued response to the rate cut was a further indication that Zurich had failed to decouple from US trends.

At home, said Mr Hasslauer, investors were waiting for next Tuesday's 1993 results from Roche, which has held up better than most during the recent correction. While few doubted that the figures would be good, there were worries that investors might decide that the time has arrived to sell into strength and switch into Germany. Roche certificates fell SFr90 to SFr7,045.

Among cyclicals, Sulzer fell SFr20 to SFr1,045 in spite of the group's announcement that it expects increased profits in the current year.

MILAN resumed its advance as huge demand from individual domestic investors swelled turnover to a record L2,206bn, adding to the capacity problems of the bourse's already pressured electronic trading system. The Comit index eased 1.64 to 787.12, although the real time Mibtel index registered a gain over the session of 1.6 per cent.

Fiat propelled the market higher, rising L197 or 3.1 per cent to L6,500 amid continuing speculation that the group plans a big asset sale or some other corporate development. A L134 or 5.1 per cent rise to L2,787 by Cir was attributed to the stock's recent underperformance. Olivetti added L118 or 4.3 per cent to L2,880.

MADRID added non-resident selling and the threat of political scandal to broader concerns, and the general index fell 3.65 to 321.64. Mr Mariano Rubio appears before congress today to answer questions concerning his personal financial dealings while he governed the Bank of Spain.

WARSAW fell 6.7 per cent, but this was better than many analysts had been expecting after the authorities suspended the 10 per cent price movement limit on Tuesday for the following three sessions. The WIG index closed at a provisional 9,980.4, as turnover tripled.

ISTANBUL rallied 6.5 per cent in heavy trade, adding to Wednesday's 2.6 per cent gain. The composite index put on 1,344.86 to 22,104.32.

Written and edited by William Cochrane, John Pitt and Michael Morgan

ASIA PACIFIC

Nikkei eases back after renewed political wrangling

Tokyo

Continued political wrangling over the selection of a new prime minister left share prices easier on profit-taking, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average fell 73.21 to 19,987.20 after a low of 19,847.97 and a high of 20,169.13. Shares fell in the morning on arbitrage linked selling, before rising later on rumours that public funds will be allotted to trust banks today. Later profit taking eroded most of the gains.

Traders said that investors were still worried by the political situation which has failed to stabilise. Although the seven coalition parties seemed to be in accord in backing Mr Tsutomu Hata, the foreign minister, as the next prime minister, the New Harbinger Party, on the coalition's left wing, yesterday refused to enter negotiations.

Analysts said that investors would be reluctant to return to the stock market while the political situation remained fluid.

Volume totaled 368.5m shares against 339m.

The Topix index of all first section stocks rose 4.59 to 1,623.48, while the Nikkei 300 ended 1.04 higher at 297.39. Advances led declines by 529 to 457 with 179 issues unchanged.

In London, the ISE Nikkei 50 index rose 1.99 to 1,329.07.

Low priced shipping shares, seen as laggards, improved with Showa Line, the day's most active issue, rising Y7 to Y273 and Navix Line gaining Y8 to Y372.

Automobile companies and component manufacturers were higher on expectations of increased domestic and US car sales. Nissan Motor gained Y14 to Y884 and Kayaba Industry jumped Y30 to Y570.

Profit-taking depressed some high-technology issues: NEC fell Y20 to Y1,130 and Fujitsu lost Y10 to Y1,030.

Oils rose were higher on hopes of higher earnings due to economic recovery with Teikoku Oil rising rose Y15 to Y758 and Nippon Oil gained Y2 to Y727. In Osaka, the OSE average rose 102.16 to 22,291.40 in volume of 14.7m shares. High-technology shares were bought, with Konami, the game maker, rising Y120 to Y3,600. However, Nintendo lost Y140 to Y6,660 on profit-taking.

Roundup

Overseas influences affected a number, but not all of the markets in the region. Bombay, Bangkok and Colombo were closed for holidays.

HONG KONG took profits and the Hang Seng Index lost 153.13, or 1.6 per cent at 9,600.63, turnover falling from HK$5.56bn to HK$3.22bn.

Property and financial stocks led the way down, with falls of 2.1 per cent and 1.5 per cent respectively. Among active stocks, HSBC and Hutchison Whampoa both dropped 50 cents, to HK$92.50 and HK$33.75.

AUSTRALIA followed New York down, but equities were also affected by a softer Australian bond market as the All Ordinaries index closed 19.8 lower at 2,095.0.

Turnover fell from A$542m to A$351m. Oil and gas stocks lost 17.6, or 2 per cent to 845.8, Ampolex falling 13 cents to A$4.22 and Woodside Petroleum 10 cents to A$4.15.

NEW ZEALAND also fell on the Dow, the NZSE-40 index finished 21.94 lower at 2,123.55.

KUALA LUMPUR featured a drop in volume from 268m to 111m shares as the KLSE composite index shed 8.15, or 0.8 per cent to 1,021.30.

SEOUL tried to rise on hopes of a revision of a law allowing listed companies to buy back their own equity. But it failed to follow through and the composite index ended just 1.19 higher at 883.52.

JAKARTA managed to retain foreign buying interest and the JKSE index, which hit a low for the year on Monday, recovered xxxxx to xxxxxxxxxx.

MANILA detached from Wall Street once again as the composite index advanced 63.79, or 2.4 per cent to 2,759.50 following Wednesday's 61-point gain, turnover climbing from 795m to 1.15bn pesos.

Overnight, PLDT had risen for the second straight day in good volume in New York, in spite of the fall in the Dow, closing 75 cents higher at $60.75 following its $1 gain on Tuesday.

German turnover picks up sharply

By Michael Morgan

Equity trading picked up in Europe during March as most market indices continued their decline and the FT-A Europe index was marked 4.2 per cent lower after its 1.1 per cent fall in February.

Mr James Cornish at NatWest Securities says this suggests that selling pressure increased once it became clear that there would be no early let-up in the fall of US Treasury bond prices, which remains the main bearish influence.

Mr Cornish notes the clear involvement of international investors, demonstrated by a 16.2 per cent rise in the volume of European stocks traded on Seaq International, the London screen based system, as a proportion of turnover in continental domestic markets. Seaq trading accounted for 16.1 per cent in February and 15.2 per cent in January.

German turnover showed the largest gain in March, rising by a hefty 21.6 per cent after February's 19.5 per cent decline as the Dax index went against the general trend and registered a 1.2 per cent advance.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Dec 1993	Jan 1994	Feb 1994	Mar 1994	US $bn
Belgium	91.60	107.56	95.76	83.75	2.43
France	218.65	251.96	244.62	218.68	38.38
Germany	211.05	219.29	176.59	214.73	128.66
Italy	41,385.6	53,924.0	79,109.6	80,380.0	50.00
Netherlands	25.40	35.00	32.00	33.10	17.64
Spain	1,267.5	1,521.82	1,400.80	1,491.24	10.07
Switzerland	31.30	39.70	33.90	32020	22.73
UK	55.79	65.31	59.80	61.14	90.89

Volumes represent purchases and sales.
Italian data adjusted to include off-market trading. Some figures may be revised.
Source: NatWest Securities

Hoare Govett notes that the major sectoral theme in March was the strength of the cyclical sectors, particularly chemicals and motor manufacturers, at the expense of financials. In the case of chemicals, outperformance of almost 5 per cent had reflected generally encouraging earnings and dividends statements and better prospects for 1994; for car-makers, investors continued to anticipate a recovery, although there was little sign of one yet.

Spain's 6.5 per cent rise in March turnover was in sharp contrast to the market's worse than average 5.9 per cent fall. A 6.8 per cent rise in average turnover for the previous three months suggested that selling pressure was accelerating.

Amsterdam saw domestic turnover rise 3.4 per cent in March, and 7.5 per cent over the average for the previous three months, as the market index fell 5.5 per cent. However, trading on Seaq International of Dutch shares surged 43 per cent, underlining the particular interest in London in Royal Dutch and the other large international companies.

Separately, the Amsterdam stock exchange reported that total trading of equities and bonds reached a new high of Fl 134.5bn in March, taking first quarter turnover to Fl 356.1bn, up 43 per cent over the same 1993 period. The exchange notes that the month saw a heavy flow of new share issues, including those from Pakhoed, Pirelli and KLM, while the market was also driven by a hefty calender of corporate results.

Milan turnover edged 1.6 per cent higher in March to another record after the 46.7 per cent surge the previous month, making it the third most heavily traded European market after Frankfurt and London for the second consecutive month.

Kleinwort Benson notes that the market was surprisingly firm in the run up to the elections, apparently acknowledging that a new government would be forced to continue the economic policies of the previous administration, whatever its political complexion. The telecom shares were a major driving force ahead of the announcement of the restructuring plan for the sector and strong domestic funds flows were also a significant factor.

Zurich and Paris were losers in March, but the sharpest decline was seen in Brussels where turnover dipped by 12.5 per cent while the market itself slipped by only 2.7 per cent.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY APRIL 13 1994								TUESDAY APRIL 12 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (69)	172.95	0.8	173.84	113.37	154.07	159.38	1.2	3.42	171.52	172.37	112.02	153.26	157.53	189.15	130.19	141.76
Austria (17)	179.11	0.0	180.02	117.40	159.56	159.30	-0.4	0.98	179.10	179.99	116.98	160.04	159.88	185.41	139.63	147.61
Belgium (42)	164.58	0.2	165.42	107.87	146.61	143.03	-0.1	3.81	164.19	165.01	107.24	146.72	143.22	171.69	141.92	156.76
Canada (108)	128.66	-0.6	129.32	84.33	114.61	128.15	-1.0	2.62	129.37	130.01	84.50	115.60	129.48	145.31	121.46	122.64
Denmark (32)	251.70	0.1	252.99	164.98	224.22	229.62	-0.2	1.03	251.41	252.66	164.20	224.65	230.08	275.79	207.58	211.46
Finland (23)	147.72	-1.3	148.47	96.82	131.59	170.95	-1.4	0.87	149.69	150.43	97.77	133.76	173.47	156.72	83.93	83.93
France (98)	171.07	0.5	171.94	112.13	152.39	157.24	0.2	2.87	170.27	171.11	111.21	152.14	156.99	185.37	149.60	167.36
Germany (58)	137.82	0.2	138.53	90.34	122.78	122.78	-0.1	1.87	137.55	138.24	89.84	122.91	122.91	142.38	107.59	116.86
Hong Kong (56)	403.32	0.2	405.39	264.37	359.30	400.10	0.2	2.85	402.66	404.66	262.99	359.81	399.41	506.56	256.53	256.53
Ireland (14)	186.88	0.8	187.84	122.49	166.48	183.86	0.2	3.28	185.49	186.41	121.15	165.75	183.61	209.33	155.93	169.33
Italy (60)	90.77	-2.9	91.23	59.49	80.86	110.56	-3.3	1.57	93.43	93.90	61.02	83.49	114.29	93.43	57.88	63.47
Japan (469)	156.20	0.8	157.00	102.38	139.15	102.38	1.1	0.79	155.00	155.77	101.24	138.51	101.24	165.91	124.54	141.84
Malaysia (98)	470.04	-0.2	472.45	308.10	418.73	487.87	-0.1	1.20	471.19	473.54	307.75	421.04	488.61	621.63	293.40	293.40
Mexico (18)	1926.74	1.5	1936.57	1262.92	1716.39	7083.43	1.5	0.71	1898.07	1907.50	1239.88	1696.03	6979.69	2647.08	1431.17	1667.12
Netherland (26)	200.95	0.1	201.98	131.72	179.02	176.33	-0.3	3.19	200.86	201.86	131.19	179.49	176.83	207.43	163.30	172.75
New Zealand (14)	65.74	-0.9	66.08	43.09	58.57	61.74	-0.3	3.77	66.33	66.66	43.32	59.27	61.93	77.69	46.43	46.77
Norway (23)	195.39	0.1	196.38	128.07	174.05	196.92	-0.1	1.69	195.17	196.14	127.47	174.40	197.15	206.42	150.61	158.28
Singapore (44)	334.09	-0.1	335.80	218.99	297.62	240.71	-0.2	1.62	334.39	336.06	218.41	298.81	241.13	378.92	228.08	228.08
South Africa (60)	215.98	0.8	217.09	141.57	192.40	264.92	2.1	2.39	214.21	215.27	139.90	191.40	249.78	280.26	181.99	168.73
Spain (42)	140.64	-1.2	141.35	92.18	125.28	147.93	-1.2	4.00	142.38	143.09	92.93	127.22	149.77	155.79	116.33	131.72
Sweden (36)	217.12	-0.3	219.23	142.32	193.42	254.72	0.0	1.54	217.72	218.81	142.20	194.55	254.68	230.02	163.37	165.38
Switzerland (49)	162.49	0.3	163.32	106.51	144.75	145.28	-0.2	1.60	162.05	162.85	105.84	144.80	145.54	176.56	118.09	121.49
United Kingdom (205)	190.68	-0.4	191.66	124.99	169.87	191.66	-0.4	3.86	191.44	192.39	125.04	171.07	192.39	214.96	170.32	179.21
USA (520)	181.66	-0.3	182.59	119.07	161.83	181.66	-0.3	2.91	182.24	183.14	119.02	162.84	182.24	198.04	176.91	183.43
EUROPE (724)	167.71	-0.3	168.56	109.93	149.40	161.31	-0.4	2.87	168.15	168.99	109.82	150.25	162.03	178.58	141.58	147.83
Nordic (113)	207.63	-0.3	208.69	136.10	184.96	212.82	-0.3	1.34	208.39	209.33	136.04	186.12	213.37	220.60	155.58	156.83
Pacific Basin (750)	165.29	0.7	166.13	108.34	147.24	112.96	1.0	1.06	164.16	164.98	107.22	146.69	111.83	168.80	134.79	145.00
Euro-Pacific (1474)	166.14	0.3	166.99	108.90	148.00	131.80	0.4	1.82	165.67	166.49	108.20	148.04	131.38	170.78	141.98	146.04
North America (626)	178.37	-0.3	179.28	116.91	158.89	177.96	-0.3	2.90	178.95	179.84	116.88	159.90	178.58	192.73	173.70	179.67
Europe Ex. UK (519)	151.48	-0.2	152.25	99.29	134.94	142.29	-0.5	2.27	151.76	152.51	99.12	135.61	142.98	155.73	122.37	128.27
Pacific Ex. Japan (281)	253.79	0.2	255.08	166.35	226.08	231.65	0.3	2.53	253.24	254.50	165.40	226.29	230.87	296.21	176.44	176.44
World Ex. US (1658)	166.56	0.3	167.41	109.18	148.38	134.84	0.4	1.83	166.09	166.91	108.48	148.41	134.30	172.51	142.94	146.40
World Ex. UK (1973)	168.63	0.1	169.49	110.53	150.22	145.53	0.2	2.04	168.42	169.26	110.00	150.49	145.23	175.58	152.41	155.77
World Ex. So. Af. (2118)	170.37	0.1	171.24	111.67	151.77	148.81	0.1	2.21	170.26	171.10	111.20	152.13	148.62	178.56	154.85	157.89
World Ex. Japan (1709)	180.27	-0.2	181.19	118.16	160.59	177.03	-0.3	2.83	180.68	181.58	118.01	161.45	177.52	195.30	165.70	168.11
The World Index (2178)	170.58	0.1	171.45	111.81	151.96	149.64	0.1	2.21	170.46	171.30	111.33	152.31	149.43	178.97	154.85	157.84

Latest prices were unavailable for this edition

RECRUITMENT

Jobs: A fledgling sector is demanding skills that are rare in the present climate of public and private polarisation

Carnage of chiefs in Tecs battle is leading to new tactics

Norman Stoller, chairman of a successful, rapidly growing company, admits he made a mistake last year in the selection of a new chief executive for the training and enterprise council of which he is the non-executive chairman.

"We chose the wrong man," says Stoller, whose employer-led Tec, in Oldham, Lancashire, will next month begin advertising the post again.

Oldham Tec is not alone, however, in having trouble recruiting the chief executives who provide the day-to-day management of Tecs, which are responsible for administering budgets of more than £2 billion a year delivering government funded training and fostering enterprise in their localities.

Figures disclosed this week by the department of employment show that since April 1990, when the first Tecs were set-up by the department of employment, 35 of the original 82 chief executives have left their posts.

It is an extraordinarily high level of turnover, probably unmatched by any sector. Some have been sacked by their boards, others have left by mutual consent. A substantial number, about 20, who were on secondment from the civil service returned to the department of employment.

In some cases, appointment of successors has been controversial. At Kent Tec, for example, the local county council pulled out of talks on merging its economic development unit with the Tec because its candidate was unsuccessful for the chief executive's job.

Commentators on Tecs might conclude that the part-time volunteers who form Tec boards – mostly senior executives – have exercised poor judgment in their selection processes of the individuals who many believe are critical to the success of any Tec. Can they do any better in the future they ask?

In time, as they are able to give greater consideration to what sort of management style they want, is the conclusion of the rash of management and recruitment consultants who are currently working with Tecs.

For the job of chief executive of a Tec, as with a number of jobs that are emerging in bodies such as NHS Hospital Trusts, has no role model. These new jobs, which are growing in number and which have been specifically targeted by a number of recruitment agencies and newspapers, require both the commercial skills of the private sector and knowledge and sensitivity as to how the public sector works.

Because they are spending public money recruits must also expect opprobrium if they demand a luxury car and a high salary. Yet, at the same time they will be asked to demonstrate excellent interpersonal skills with their detractors.

Mr David Howells, an independent management consultant, who has worked extensively with Tecs, says: "The specification is truly demanding. Tec boards needs to recruit the Archangel Gabriel, or one of his key benchman, to do the job. There are a number of people who are truly effective, but their numbers are limited."

An advertisement placed this week for such a £55,000 a year post at Hertfordshire Tec says "ideally, candidates will combine sound management experience in industry and commerce, together with public sector experience, which includes dealing with government departments and agencies".

It is a mixture that is rarely found in the private sector, except perhaps the defence industry, from which some of the most successful chief executives have been drawn.

An advertisement for an NHS Hospital trust would place similar emphasis on not only a keen understanding of the NHS but also the financial disciplines and skills of the private sector.

Such discipline is still generally lacking according to a government report published this week. It said that many hospital and community trusts were failing to meet government financial targets. Managers had to make a number of changes, including tighter financial reporting regimes, as well as making information about their activities more generally available.

NHS Trusts have not yet had the fall-out rate of senior managers experienced by Tecs, but this may only be a matter of time as boards, made up predominantly from the private sector, become more demanding. At present most managers posts go to career NHS staff, mainly because the NHS is so "horrendously complicated", according to Mr Alan Bedford, manager of the South Downs Health NHS Trust.

However, according to Bill Philips, head of public sector practice at NBS, the recruitment consultants, the NHS trusts will need to give much more consideration to how they recruit in the future. "The NHS is unlikely to generate as many senior managers with the requisite skills as it needs," he says. "Therefore it needs to bring in talent from outside. It is how it is done that needs to be considered carefully."

So what is to be done? Boards of Tecs argue that progress in their appointments of senior staff will be made as the role of the chief executive become clearer, and they become more adapt at drawing up job specifications.

Stoller's first appointment at Oldham Tec in April 1990 was a civil servant. In line with many other Tecs, he was constrained in his recruitment processes. "Tecs should first consider appointing the training agency manager," said the government. If they decided not to do so, the appointment was limited; the salary could be covered by public funds only up to the average of the relevant civil service grade.

Stoller however is not regretful. Indeed, he says, he knows some Tecs which initially appointed chief executives from the private sector only to be disappointed at the results. Some civil servants developed the necessary qualities to run a Tec, others did not. Likewise, some private sector people struggled to understand the system.

"In order to get the Tec running we had to understand government rules, he says. "But, people who have started a business from scratch know that it takes one kind of person to get a ball roll and that is not necessarily the same person who will get it rolling faster. There are so many things we are involved in now, including income generation, that the job needs a different type of person."

While the newly defined post (for which last year's highly qualified recruit was unsuccessful) is being openly advertised, there is an internal candidate. This is a route that recruitment and management consultants say may need to be taken more frequently.

"Talent may have to be identified and groomed internally," says Mr Paul Hutt, of Hay Management, which has worked with more than 30 Tecs in developing effective management models.

It is a strategy that some NHS trusts are also adopting, bringing in individuals from the private sector at finance director and similar levels, so that they can be acclimatised to the newer climate before internal promotion.

Perhaps this form of entry into the professions should be considered by the growing number of managers who have been shed by the private sector and are considering jobs in these fledgling sectors where there will continue to be a growth in opportunities. For while the traditional view was that there was either a public sector or a private sector mentality, there are now a growing number of jobs that are neither one thing nor the other.

Lisa Wood

TOP OPPORTUNITIES

SENIOR POSITIONS IN GENERAL MANAGEMENT

BANKING FINANCE & GENERAL APPOINTMENTS

هكذا من الاصل

Quantitative Specialist–Derivatives

London *c£45,000 + substantial bonus + banking benefits*

This global investment banking and securities organisation has developed an enviable reputation through the trading of a full range of derivative products.

An opportunity has arisen for a highly numerate individual to join a very profitable proprietary trading team who manage a portfolio of derivative instruments. The team primarily operate in the secondary market where they trade and arbitrage derivative instruments with an equity focus. Particular emphasis is put on credit analysis.

The individual will be expected to contribute analytical and quantitative skills to the team and will assist in developing trading strategy and risk control. Complex mathematical modelling and advanced spreadsheet analysis using statistical packages will be required.

Aged in your mid to late 20's with a strong quantitative academic background, you will have one to two years experience in a derivatives environment with a recognised organisation. Alternatively a recent Phd in Maths or Physics or possibly a Masters in Engineering with a strong mathematical content will be considered.

A young and innovative environment, this is an outstanding opportunity to join one of the leading players in the derivatives market. The remuneration package includes a competitive salary, dependent on experience. The position will require some travelling.

Interested applicants please send a full resumé to Anthony Cook, Ref. 2/1677 at Morgan & Banks Plc, Brettenham House, Lancaster Place, London WC2E 7EN or if you prefer telephone 071-240 1040.

Morgan & Banks
INTERNATIONAL

DECISION SUPPORT ANALYST

CITY COMPETITIVE PACKAGE AND BENEFITS

➤ As a leading and well-established investment house with funds under management in excess of £10 billion, we are experiencing a period of rapid expansion resulting in an outstanding opportunity for a **talented, numerate professional** to join our Chief Investment Office.

RESPONSIBILITIES WILL INCLUDE:

- ➤ Implementation of quantitative decision support systems for CIO.
- ➤ Development and monitoring of systems for performance attribution, risk-adjusted performance and benchmarks.
- ➤ Establishment of a new performance reporting system for Client Services, Marketing and Fund Managers.
- ➤ Implementation of performance measurement regulatory and presentation standards.
- ➤ Initiate the software development and computerisation in this area, in conjunction with the IT department.

The successful candidate will be a highly qualified graduate/MBA with strong mathematics or statistics and the necessary computing and communication skills.

Please apply in writing with an accompanying C.V. to: ➤

Ms. Lynne P.A. Bishop, Head of Personnel,
Foreign & Colonial Management Limited,
Exchange House, Primrose Street,
London EC2A 2NY

Foreign & Colonial

Leica is an international corporation engaged in providing innovative solutions to customers' needs for vision, measurement and analysis. The main activities are in microscopy, surveying and photography. It employs 8,000 employees in Europe, North America and the Asia Pacific region.

St. Gallen - Switzerland

Corporate Treasurer

Corporate Language English

Position:
- Manager of the "Internal Bank" of Leica
- Based in the International Headquarters
- member of a small team of specialists in key corporate functions
- Full advisory and operational responsibility for bank relationships, interest rate management, international cash management, currency management and international risk management.

Qualifications:
- Hands on professional treasurer
- At least 3 years relevant experience
- Ability to work closely with managers in several countries.

Please send CV by fax to R.B. Kalbag, Chief Financial Officer, Leica AG, International Headquarters, PO Box 1243, CH-9001 St Gallen, Fax: +41 71 30 7155/Telephone +41 71 30 7110.

Interviews will be held in London on Monday, 25 April 1994.

Leica

COMMODITIES TRADER
Crude Oil

Excellent salary & benefits · London based

Our client, a prestigious US financial services firm, is seeking an experienced Commodities Trader to assist in the co-ordination of crude oil trades and strategies between regional offices, involving AG and Far East crudes that are applicable to the US market. The successful candidate will be responsible for the management and trading of flat price risk for all the US market during the London morning via the ACCESS system. In addition, they will be required to assist and support the crude group on all physical cargoes and related trading, including the sourcing of western hemisphere crudes to be supplied to the US market.

The successful candidate, preferably in their early 30s, must hold a good economics degree and have detailed knowledge of the crude oil futures market as well as an understanding of outright price movements. Experience in the trading and marketing of physical crude oil is a pre-requisite. Ideally, you will also have traded swaps and derivatives. You are likely to have at least six to seven years' relevant working experience and have developed strong Middle Eastern contacts.

Candidates must have a high energy level, be able to thrive in a high-pressure environment and have proven interpersonal skills. Preference will be shown to candidates who demonstrate a combination of the pre-requisite business and communications skills.

The rewards package and career development prospects are excellent.

Please write with your CV, stating any company to which your application should not be sent, to: Alastair Lyon, Confidential Reply Handling Service, Ref 866, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

ASSOCIATES IN ADVERTISING

SENIOR PORTFOLIO ADMINISTRATOR
TEAM LEADER ROLE

ATTRACTIVE SALARY PLUS BANKING BENEFITS
CENTRAL LONDON

Continuing growth within Citibank Global Asset Management - part of one of the world's largest banking corporations - has created the need for an additional Team Leader to supervise a small, dedicated team.

You will be responsible for the Investment Administration of a number of multi-currency portfolios incorporating Equities, a wide variety of Fixed Income instruments and derivatives. This will involve close day-to-day liaison with our team of Fund Managers as well as preparing periodic client reporting packages to a high specification. You will also prepare year-end reports for auditors as well as monthly statistics for Management Information.

To take up this challenging role, you must have at least five years' similar experience, and currently be working in a supervisory capacity.

In addition to a highly attractive salary the package will include a mortgage subsidy and pension, we also offer the opportunity of a progressive career in fund management administration.

To apply, please send your career details to Vivien Leach, Vice President Human Resources, Citibank N A, Citibank House, 336 Strand, London WC2R 1HB.

CITIBANK®

We are an equal opportunities employer

Providence Capitol

Providence Capitol is one of the fastest growing financial services groups in the U.K. Over the past seven years assets under management have grown tenfold and are now in excess of £1.8 billion.

Providence Capitol Portfolio Managers, the investment arm of the group, has a stable, committed team of investment professionals and has delivered superior investment performance for its clients over several years.

EUROPEAN EQUITIES

Our performance in Continental Europe is outstanding, currently placing us at the top of industry performance tables over 1, 3 and 5 years. This has attracted new funds, including hedge fund money, and consequently we now wish to recruit a high calibre analyst to work with our European Portfolio Manager. The successful candidate will be highly numerate and is likely to have several years experience of equities analysis, preferably within Europe.

Each member of our team is self-motivated, energetic, committed to standards of investment excellence and ambitious for top fund performance for our clients. We are offering a competitive base salary, bonus, company car and other fringe benefits.

To apply for the position, please write, enclosing a full CV, to:

PROVIDENCE CAPITOL

Talal Shakerchi, European Portfolio Manager,
Providence Capitol Portfolio Managers Limited,
2 Bartley Way, Hook, Basingstoke, Hampshire
RG27 9XA

UNIVERSITY OF LEEDS

SCHOOL OF BUSINESS AND ECONOMIC STUDIES

Applications are invited for each of two new Chairs in the School of Business and Economic Studies, created as part of a programme directed towards the development of the School's research and teaching excellence.

Chair of Economics (Ref: 31/109)

This is the second chair within the Economics Division of the School, and the post is open to candidates with a strong record of research and publication in applied economics, which is broadly defined to include economic policy and applied econometrics. Applicants should have interests that relate to those of other divisions within the School - Industrial and Labour Studies, Economic and Social History, Accounting and Finance, and Management - and/or other social sciences. Preference may be given to those with interests in the areas of industrial and labour economics.

Chair of Management (Ref: 31/110)

This is the third chair within the Management Division of the School, and the post is open to candidates with a strong record of research and publication in any fields of management which relate to the School's central strategic concerns. Within this broad specification, preference may be given to candidates who can offer research leadership and vision within the range of fields covering operations, manufacturing and strategic systems analysis. An international orientation to research would be an additional advantage, as would interests relating to business process re-engineering.

Informal enquiries about the Chair of Economics may be made to Professor John Chartres (tel: 0532 334500) or Professor Malcolm Sawyer (tel: 0532 334465), and about the Chair of Management to Professor Chartres or Professor Jim Lynch (tel: 0532 332626).

The salary in each case will be within the non-clinical professorial range.

The University of Leeds is an Equal Opportunities employer. Women and members of ethnic minorities are under-represented in the University in posts at this level and the University would therefore particularly welcome applications from members of such groups whilst, however, affirming that the appointment will be made entirely on merit.

Further particulars may be obtained from (Mrs) S M D Wheeler, Personnel Director, Office of the Registrar, The University of Leeds, Leeds LS2 9JT, UK, tel: 0532 335775 (direct line) quoting the appropriate reference number.

The closing date for applications is Wednesday, 11 May 1994.

INDUSTRIAL HIRE PURCHASING/LEASING
• NEW BUSINESS EXECUTIVE •

CA INDUSTRIAL FINANCE LTD, a subsidiary of CREDITANSTALT, Austria's leading Bank, requires a **NEW BUSINESS EXECUTIVE.**

Our business is focused on public quoted groups and long established private companies and is operated from offices in Glasgow and Sunningdale. Total HP/Lease portfolio is in excess of £150m and has been consistently profitable. Further controlled growth is planned.

THE APPLICANT
The successful candidate will ideally be aged 30-45 and be currently involved in direct customer contact. He/she will therefore have established wide contacts with senior corporate decision-takers in a range of capital intensive industries including Contract Hire and will be expected to make an early contribution to profits. Individual profit centre responsibility will be given. Extensive UK travel will be involved.

THE REWARDS
The total remuneration package, inclusive of a performance related bonus, car and other usual benefits will be sufficient to attract experienced candidates of the highest calibre who want to build a career by joining a small but dedicated and entrepreneurial team of professionals..

Candidates should write enclosing a full CV to:

Mike Beauchamp
Creditanstalt-Bankverein
11th Floor
125 London Wall
London EC2Y 5DD

CREDITANSTALT
Member of SFA

PASSIVE FUND MANAGEMENT

The "passive" section of an international fund management firm in the city seeks to add a portfolio manager to its global small companies' team.

Candidates in their late 20s, early 30s with a relevant first degree (MBA an advantage) who are numerate, computer literate, know their way around a database and have some knowledge of computer programming should apply. The ideal candidate will also have experience in managing index funds or general experience in the financial sector. Duties include a range of activities associated with the management of pooled and segregated passive portfolios and client servicing.

A competitive compensation package is offered.

Please send your CV in writing to:

Box B2393, Financial Times,
One Southwark Bridge, London SE1 9HL

EUROPEAN MANAGER

MAR, the leading information provider for the global managed derivatives marketplace, is seeking an experienced financial industry professional to act as the focal point for its rapidly expanding European operations.

The person will be responsible for a wide range of duties associated with MAR's monthly newsletters, quarterly reports on the performance of derivatives investment advisers and electronic data products covering managed derivatives and hedge funds.

Specifically the European manager's duties will include:
- ♦ Sales of MAR products by telephone, personal visit and demonstration
- ♦ Information gathering through frequent contact with prospective client base and European media
- ♦ Contributing to the development of MAR publications and conferences
- ♦ Public Relations
- ♦ Customer service and support.

The ideal candidate will be a self-starter, familiar with managed derivatives and hedge funds, have a wide range of relevant contacts and possess strong sales skills. Fluency in French and/or German would be a definite advantage. A competitive salary linked to relevant experience, aptitude and performance will be offered.

The European Operations Manager will be based in London, but will report to the New York-based *Managing Editor of MAR Inc.*

In the first instance please send your C.V. to
David Setters, Vice President, MAR Inc.,
Park House, Park Terrace, Worcester Park,
Surrey KT4 7HY or call him on 071-427 9977.

MAR

COMPLIANCE MANAGEMENT

SUN LIFE, with 1993 New Premium Income exceeding £2 billion, is one of the top five Life Assurance Companies in the UK. As such we seek to set and maintain the highest standards of compliance throughout the organisation. Indeed, our philosophy is that being compliant is good business.

As a result of a promotion and a pending retirement, two management opportunities have arisen in our Compliance division. We wish to fill these vacancies with enthusiastic and ambitious individuals who understand that the compliance function is central to the success of any company offering financial services in the 1990s.

Both positions will play a key role in monitoring compliance activities across the Sun Life Group. Responsibilities will include the provision of advice and guidance on Compliance related issues, together with the interpretation and dissemination of changes to LAUTRO rules and other regulatory and legislative changes.

The successful applicants must be able to demonstrate:
- A detailed knowledge of the FSA, LAUTRO rules, and regulatory framework. In addition one of the positions requires knowledge of Advertising Standards and the Consumer Credit Act.
- The ability to lead, motivate, train and advise staff ensuring that all accountabilities are achieved.
- Good interview/interrogation/negotiation/research techniques.
- Communication and persuasive skills, verbal and written.
- A clear understanding of the Life Assurance Industry and of the sales process.

Ideally, applicants will be educated to degree standard, may have a legal or accountancy qualification or have current in-depth experience of the compliance regime.

In return we are offering a salary between £ 23,500 - £39,000, depending on experience, backed up by a highly attractive benefits package which includes a car. A relocation package will be available for anyone who has to move house.

There is clear potential for further career progression within the Compliance area, or elsewhere within the Group.

To apply please send a full C.V. to:
Steve Knight, Personnel Officer, Sun Life Assurance Society, Sun Life Court, St. James Barton, Bristol BS99 7SL.
or telephone for an application form on 0272 426911 Ext 3935

Applications should arrive no later than Monday 25 April 1994

Sun Life offers equal opportunities in employment and welcomes applications from suitably qualified people regardless of sex, marital status, ethnic origin or disability.

SUN LIFE

Aerospace Finance/Leasing

The Sumitomo Bank Limited

Sumitomo Bank is one of the world's largest banks and Europe's leading arranger of airline debt finance.

The need has arisen for a well motivated individual to take responsibility for originating and structuring financing for the transportation sector.

The successful candidate will be degree and credit educated, probably in his or her late 20s or early 30s, with first hand experience of asset finance, probably gained in an institution with a track record for arranging finance of this type. Remuneration will not be a bar to the right candidate.

Interested candidates should contact **Karina Pietsch** on 071 831 2000 or write to her, enclosing a detailed curriculum vitae, at *Michael Page City, Page House, 39-41 Parker Street, London* WC2B 5LH. Fax 071 405 9649. Please quote ref. 185962.

MP
Michael Page City
International Recruitment Consultants
London Paris Amsterdam Dusseldorf Sydney

MANAGER - COMMERCIAL BANKING

N M Rothschild & Sons Limited is a leading international merchant bank with a strong reputation for the quality of its banking services. The Banking Division is currently expanding its corporate lending activities to take advantage of an increasing number of business opportunities in the commercial, industrial and property sectors. As a result, an opportunity has arisen for an experienced banking professional with senior management potential to strengthen the established London-based team.

The successful candidate will assume significant corporate lending responsibilities and will be involved in marketing activities and other special projects. The wide variety of the Banking Division's work includes exposure to MBOs, syndications, acquisition finance and property loans: the environment is both challenging and highly supportive. Personal development prospects are excellent.

Candidates should be graduates with several years' relevant commercial banking experience and well-developed client skills. First-class analytical powers and a strong marketing orientation are essential, while a legal or accounting background could prove advantageous.

The remuneration package for this manager-level appointment is designed to attract high-calibre candidates: a competitive starting salary will be backed by an extensive range of benefits including profit-sharing and company car.

In the first instance, please send your full curriculum vitae, in the strictest confidence, to Rodney Lonsdale, Personnel Director, N M Rothschild & Sons Limited, New Court, St Swithin's Lane, London EC4P 4DU.

N M ROTHSCHILD & SONS LIMITED

Senior Money Market Sales Executives

Leading Investment Bank **£ Excellent**

Our client, a leading Investment Bank with a global presence, is committed to the expansion of its Money Markets Sales capability in the UK and Europe. It is in the process of developing a new team which will focus on providing pro-active sales and distribution of money market products to the UK Corporate Market, Central Banks and professional counterparties.

These new positions have been created in response to the Bank's strategic approach to developing their Money Market presence. Already a pre-eminent and highly profitable business, the brief for the new professionals will be to facilitate long term business growth and develop a highly competitive sales business. With a customer list the envy of competitors, these roles are excellent opportunities for skilled sales professionals to extend relationships with existing clients, add new ones and bring an investment bank focus to a traditional money market desk.

The profile demanded for these key positions is an exacting one. Candidates, who are unlikely to have less than 5 years experience, will display a sound knowledge of the cash and derivatives market, including FRA's and Forward FX. You will have a proven track record in Money Market Sales, combined with first rate distribution capabilities in CDs, BAs and TBills. Finally, the ability to implement strategies, develop a customer base and facilitate long term business growth is also pre-requisite.

Of equal importance to our client, is the personal profile of the individuals. For both roles, candidates must be excellent communicators, with a proven record of developing key relationship contacts. For such individuals, few positions currently exist which afford such genuine business and career opportunities.

Remuneration, based around a first rate salary is highly attractive and is indicative of the high calibre candidates we wish to attract.

In the first instance, interested candidates should contact Karen Gay at Michael Page City, Page House, 39-41 Parker Street, London, WC2B 5LH, quoting reference 183693. Telephone: 071 831 2000. Fax: 071 405 9649. All replies will be treated in complete confidence.

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International Recruitment Consultants
London Paris Amsterdam Dusseldorf Sydney

OPTIONS TRADER

Trading firm seeks Options Trader for LIFFE floor. Fifteen years experience required in all phases of trading operations including staff supervision, clearing and Back Office management. Must be detail orientated and computer literate.

Please send CV to:
Box B2318, Financial Times, One Southwark Bridge, London SE1 9HL

Risk Management

International Capital Markets

London **£50-60,000**

Our client is the capital markets subsidiary of one of the world's premier banking organisations. Continued expansion and an increase in trading activities has created an exceptional opportunity for an experienced RISK MANAGER to join their capital markets division.

The successful candidate will be responsible for all aspects of risk management which arise from the underwriting, trading and sales of debt, equity and derivative products. Initially the main area of responsibility will be in the implementation of systems and procedures to ensure that all aspects of risk are properly assessed, managed and reported. The role will also involve the development of risk controls which will necessitate a familiarity with:

- Interest Rate Management techniques.
- Risk monitoring techniques.
- Fixed Income and complex derivative products.
- Hedging strategies.

Initially, reporting to the Head of Risk Management, the successful candidate would be expected to assume this role in the near future. Candidates of interest are likely to be numerate graduates with at least 2 years direct experience within a risk management department as well as several years experience within the capital markets area of a reputable financial institution. A knowledge of counterparty risk and credit issues would also be an advantage.

This is an excellent opportunity for a highly motivated self-starter with excellent communication skills to join an expanding organisation committed to further growth and development.

Interested candidates should write to **Gavin Starling** at **Michael Page City, Page House, 39-41 Parker Street, London, WC2B 5LH,** quoting reference number **185428. Fax 071 405 9649** or alternatively **telephone 071 831 2000** for an initial discussion.

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MORGAN GRENFELL ASSET MANAGEMENT

Deputy Head Performance Analysis

Morgan Grenfell Asset Management is one of the largest investment management companies in London with £30 billion under management. It has a diverse global client base which includes pension funds, insurance companies, governments, central banks, unit trusts, charities, investment trusts and high net worth individuals.

The performance analysis team is at the leading edge for delivering performance figures and attribution analysis for both external client reporting and internal use. Following a recent internal move, there now exists an opportunity for a talented individual to join the team in the role of Deputy Head. Initially, the most important responsibility will be to take a leading role in the development, testing and implementation of new performance analysis systems. In addition, the deputy will be responsible for day to day management and development of the department and in his absence, for deputising for the Head of Performance Analysis.

Preference will be given to applicants with at least two years' experience of investment performance analysis including performance reporting standards (both UK and US), the construction of complex benchmarks and knowledge of CAPS and WM. However, individuals with knowledge of investment performance measurement gained in other backgrounds will also be considered such as fund management or accountancy.

Candidates are likely to be graduates and will have mathematics to at least A-level standard. They will also possess excellent written and oral interpersonal skills and computer literacy. Ideally, candidates will be able to demonstrate some experience of management. This position is an excellent opportunity for a high calibre individual who is ambitious to succeed within a dynamic and fast-growing environment.

For an initial discussion, please contact **Elizabeth Bancroft** or **Paul Wilson** on **071 831 2000** or alternatively, write to them **at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH. Fax: 071 405 9649.**

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MAJOR CURRENCY BROKER

requires highly motivated individual (22-28 years old) with knowledge of Scandinavian languages to join successful team. Responsibilities will include use of Reuter Dealing 2000 system, experience of which will be useful.

- Salary: competitive
- Knowledge of foreign exchange and/or options will be considered a plus.

Please reply to Box B2328, Financial Times, One Southwark Bridge, London SE1 9HL

ANALYST/STRATEGIST

Derivatives Trading

Competitive salary + benefits · London

Our client, a leading international investment bank, is looking to recruit a derivative trading professional to construct, test and implement trading strategies for international derivatives products. The person appointed will also assist in the development, pricing and risk management of equity structured products.

To qualify you must have a Ph.D in theoretical physics, exceptional mathematical skills and experience of using time series analysis techniques. You must also be familiar with both international equity and fixed income markets, possess a knowledge of term structure evolution models and have had exposure to the following computer languages and analytical tools: 'C', Splus A+, Expo, Speaker and Wingz.

To apply, please send a full cv, quoting ref 862, to: Alastair Lyon, Confidential Reply Handling Service, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

Please state any company to which your application should not be sent.

ASSOCIATES IN ADVERTISING

STERLING MONEY MARKET DEALER

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N&P's Treasury team continue to expand and are looking for a dealer with a comprehensive knowledge of sterling money markets.

Experience will have given you a broad understanding of the impact of environmental changes and economic events upon the financial markets, and an ability to demonstrate resilience, flexibility and commitment in your approach.

Working within an integrated team environment allows for opportunities to develop into both non-sterling and off balance sheet markets, appealing to someone who will relish the challenges facing the changing personal financial services sector.

As an innovative Financial Services Organisation, a highly structured reward package is offered which is flexible dependent upon your skills and experience. The package comprises a basic element, with a quarterly payment related to achievement, together with a flexible benefits scheme which includes an immediate concessionary mortgage and relocation assistance where appropriate.

Please write with full personal, career and salary details to:
Angela Stevens, HR Adviser, National & Provincial Building Society, Provincial House, Bradford BD1 1NL.

Please note we have a no smoking working environment.
N&P are committed to achieving Equal Opportunities.

N&P
National & Provincial Building Society

PRIVATE CLIENT STOCKBROKING GUERNSEY, CHANNEL ISLANDS.

A leading London Private Client Stockbroker is seeking an ambitious and experienced private client fund manager for its well established Guernsey office.

Ideal candidates will have the proven ability to manage the substantial portfolios of existing clients and experience in winning new business.

Local market qualifications are an advantage and age is not a factor.

An attractive remuneration package includes participation in a local bonus scheme.

Please apply in the first instance to:-

Rupert White Esq,
David Sheppard & Partners Limited,
21, Cleveland Place, London. SW1Y 6RL.
Fax: 071-839 3649

APPOINTMENTS WANTED

EXECUTIVE SEARCH & SELECTION CONSULTANT

Mid 30's, privately educated, creative recruitment professional with 12 yrs exp, including recruitment consultancy set ups and business development. Focus has been in senior accountancy appt's, has also dealt with some Corporate Finance appointments. Wishes to join progressive recruitment firm in Central London and, ideally, concentrate in Corporate Finance recruitment.

Write to Box A2000, Financial Times, One Southwark Bridge, London SE1 9HL

BOND SALES

LTCB International Limited is the London-based capital markets subsidiary of The Long-Term Credit Bank of Japan, Limited, one of the world's leading banking organisations and is the European flagship for securities operations.

As part of our continued expansion, following the opening of our securities company in Tokyo last year, we are looking to recruit additional sales staff to complement our current team. Applicants should have 2/3 years' sales experience, have an existing client base and a good track record of selling to major institutions. Areas of coverage would principally be France, Benelux and Germany.

Applicants should send a comprehensive CV and details of their current remuneration package to:

Vivien Karam, Associate Director - Personnel,
LTCB International Limited, Alban Gate,
125 London Wall, LONDON EC2Y 5AH. Fax: 071-814 9880

LTCB
LTCB International Limited

هكذا من الاصل

HEAD OF CREDIT RISK

Equities division of a major financial institution

Excellent salary and package · City based

Our client is a major UK institution, covering the full range of trading activities: Treasury, Equities and Capital Markets.

They are seeking a Head of Credit, Equities, responsible for all credit-related issues in an environment trading complex derivative instruments across both corporate and institutional clients.

You will be educated to Graduate or Masters level, with at least five years' credit/counterparty work experience and a good knowledge of equity and derivative products and markets, probably gained in a US house. You will possess strong interpersonal skills and an ability to work with all areas of the business, implementing business objectives without impeding them or compromising control standards.

Please write with your cv, stating any companies to which your application should not be sent, to: Alastair Lyon, Confidential Reply Handling Service, Ref: 865, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

ASSOCIATES IN ADVERTISING

MANAGER - CASH MANAGEMENT

CITY — **c£45,000 + bonus + flexible benefits**

THE PERSON

Of graduate calibre, you will have the potential to develop as the scope of the department increases. Offering proven man-management abilities, you have probably gained your experience within one of the larger securities houses or a major bank. You will certainly have a thorough understanding of the issues surrounding securities settlement. You will also bring the professionalism, skills and experience necessary to implement systems changes and the concomitant changes to operational procedures.

THE ORGANISATION

A major global securities firm with a strong London presence. Cash Management performs a key role within a fast-paced Treasury department, which is committed to the improvement and further development of its capabilities. The area has responsibility for establishing funding requirements, managing the firm's multi-currency bank accounts and effecting all Treasury payments and receipts, the majority of which pass through S.W.I.F.T.

THE ROLE

An increasing number of transactions and the need to enhance procedures and computerised systems make this a high profile appointment. The role demands strategic thinking as well as the ability to identify and resolve operational issues, especially when considering the impact of new products upon cash and liquidity management.

Initially leading a team of twelve, you will have complete responsibility for the management and future development of the functions controlled by the Cash Management area.

The role will encompass the management of relationships right across the firm and reports into a demanding but very supportive senior management team, who operate within a meritocratic culture.

To progress your interest in this challenging appointment, contact Susan Milford at Carrington Heath, City Business Centre, 2 London Wall Buildings, London EC2M 5PP, quoting reference 148955.
Tel: 071 628 4200 (eve. 0483 37480)   Fax: 0483 576724

CARRINGTON HEATH
EXECUTIVE SEARCH & SELECTION

Regional Business Manager

City Of London
c. £35K + Bonus + Car + Executive Benefits

Designing and building tomorrow's HR structures is a sophisticated, continually evolving business. At Reed our reputation is founded on a culture of innovation - where the obvious is never assumed to be the definitive solution and where new ideas are nurtured. It's a philosophy that has made us Britain's largest recruitment agency.

As we enter a new phase of increasing prosperity a key position has been created for an assured professional, with management experience, to play a pivotal role between two of our leading divisions - Reed Employment and Reed Accountancy. Specifically your brief will be to exploit this dual resource in order to develop new products and services which, in turn, can be used to create and capitalise on business opportunities.

This will require a knowledge of the financial services sector, together with an informed understanding of their unique needs. Much of your success will rely on your ability to encourage new attitudes, challenge existing perceptions and design and deliver innovative HR solutions to meet complex requirements. Your natural creativity should be complemented by obvious commercial flair and the ability to "know an opportunity when you see one".

Applications should be made to Ann Rennie, Director Of Human Resource Strategy, Reed Personnel Services plc, 104 New Bond Street, London W1Y 9LG.

REED personnel services

APPOINTMENTS ADVERTISING

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday

For further information please call:

Gareth Jones on 071 873 3779

Andrew Skarzynski on 071 873 4054

Philip Wrigley on 071 873 3351

To an organisation as ambitious as the Royal Bank of Scotland, a period of considerable change represents a period of considerable opportunity. Not least in the promotion of specialist business areas such as Payment Services.

MANAGERS - MONEY TRANSMISSION SERVICES

PACKAGE TO £45K
EDINBURGH & LONDON

Vital to the Bank's front-line operations, the activities of our Payment Services department cover all forms of cash/cheque payment and money transmission. We now require two Managers to head up newly created business teams in Edinburgh and London.

Reporting to the Director of Payment Services, you'll be responsible for product management and support in both the retail and investment banking arenas. You'll lead strategic initiatives – designed to accelerate the growth of profitable business in this field.

This is an ideal opportunity to secure a high-profile role within a major financial services organisation. Ideally you should have money transmission services experience involving leadership of a team, together with proven business awareness and an ability to work to tight deadlines.

In return, you can expect a highly competitive salary, plus a generous benefits package which includes a car, BUPA, a mortgage subsidy and, where necessary, relocation assistance.

To make your application, please write or fax, with a full cv, to Alison Yeoman, Personnel Manager, Personnel Department, Royal Bank of Scotland, 42 St Andrew Square, Edinburgh EH2 2YE. Fax: 031-557 2845.

Committed to Equal Opportunities

The Royal Bank of Scotland
WHERE PEOPLE MATTER

MashreqBank بنك المشرق

Over its 26 year history, MashreqBank has evolved into one of the leading Financial Institutions in the United Arab Emirates. We now seek results-oriented Relationship and Credit Officers for our Commercial Banking Group in the U.A.E.

RELATIONSHIP & CREDIT OFFICERS

If you have five to twelve years experience in Credit/Marketing in an International Bank, fluency in Arabic, a degree in business or accounting and a proven ability to manage business relationships, successfully, then send your curriculum vitae to:

MASHREQBANK
LONDON BRANCH,
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EC2A2BD or FAX: 071-410 0832

CORPORATE FINANCE

City — **Competitive Salary**

Our client, a leading corporate stockbroker, is seeking to recruit highly motivated and capable individuals from major City firms, to join its prestigious corporate finance department. The department has undergone substantial growth and is a recognised leader in the UK corporate sector. This is an excellent career opportunity for the ambitious young professional looking for his/her first move into the field of corporate finance.

Reporting to a Director, candidates will assist with a variety of transaction work, documentation, marketing issues, planning and client administration. As the department operates on a non-hierarchical basis, candidates must be able to demonstrate flexibility and team spirit. Stamina and the ability to work under pressure are essential requisites for this interesting and challenging role.

Candidates will be recently-qualified accountants, lawyers or MBAs with a good academic record. First-class presentation and numeracy skills are essential, and familiarity with City transactions and the Yellow Book would be an advantage. The ability to assimilate information quickly and to become a proactive member of the department is of prime importance in this challenging and exciting position. Ideally, candidates will be aged 24-30.

Interested candidates with the relevant experience should send a curriculum vitae, in strictest confidence, to Carol Jardine, Managing Director, Whitney Selection, 17 Buckingham Gate, London SW1E 6LB, quoting reference WS/119/1.

THE WHITNEY GROUP

WHITNEY SELECTION

BZW

BARCLAYS de ZOETE WEDD

[illegible]

COMPLIANCE OFFICER

The position will be expected to
- maintian and enhance a Compliance infrastructure for the Division as a whole in Germany which will include assisting Senior Management to establish, encourage and implement appropriate compliance standards across BZW;
- advise in respect of the German securities industry regulatory, legislative and market developments; and
- establish an on-going surveillance function.

Given the nature, complexity and scope of the position it will be provided with the necessary support. We envisage candidates to be self motivated, pro-active and commercially aware in their approach to identifying areas of risk. Since the position will be reporting to Senior Management in Frankfurt and the Compliance Department in our London Head Office fluency in both German and English is essential.

The ideal candidate is likely to be aged 30 to 35 and will most probably be working at present moment in the legal department of a bank, in an international auditing or law firm with extensive exposure to securities, capital markets and corporate finance issues.

BZW is expanding its operations. For the right individual there will be opportunities to contribute to the further development of the business. Salary and benefits will be commesurate with experience. Interested applicants should write enclosing a complete CV to Carsten Kengeter or contact him ahead of their formal application on 00 44/3 85/36 33 12 this Saturday between 4 and 6 pm.

BARCLAYS de ZOETE WEDD DEUTSCHLAND GMBH
BARCLAYS BANK PLC Frankfurt Branch
Bockenheimer Landstraße 38 – 40, D-60323 Frankfurt/M.

OPERATIONS MANAGER – INVESTMENT ADMINISTRATION — **Package c£60,000**

This firm has a pre-eminent reputation in the global securities market and is now in a position to recruit its first operations manager for its fund management arm. The role will be extremely varied but centres on the management of a small, professional, tight-knit team of investment administrators working in a pressurised environment. In addition, the firm is dedicated to improving systems and procedures, providing an environment of constant change and development which generates extensive ad-hoc project work. The position requires someone entrepreneurial, who is looking for a highly visible, influential role in a company with a flat management structure. Suitable candidates will have a minimum of five years experience in investment administration at senior level with a good product knowledge and advanced IT skills.

Please contact Stephanie Devine

HEAD OF CREDIT — **c£60,000**

This is a new position, brought about by the return to the United States of the present incumbent. The job calls for a seasoned credit professional to take over all risk management procedures for this mid sized commercial bank, reporting to the Chief Executive in London. Experience of grading loans and dealing with the OCC will be a distinct advantage.

Please contact Brenda Shepherd

Fax 071-626 9400 — Cleary Court, 21/23 St. Swithins Lane, London EC4N 8AD — Telephone 071-626 1161

Financial Recruitment Consultants

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APPOINTMENTS WANTED

VIETNAM

German Businessman, 49 yrs with 4 yrs working experience in Vietnam with best connections to government agencies, ministries, business community as well as very good understanding of the vietnamese mentality is looking for challenge in trade/industry or service business incl. shipping/ freight forwarding.

Please write to Box B2388, Financial Times, One Southwark Bridge, London SE1 9HL

صورة من الاصل

ACCOUNTANCY COLUMN

Standard setting not the panacea for all ills

Gerry Acher argues that business life is too complex for prescriptive rules to override personal judgment

Today, the Accounting Standards Board has published FRS 5, the standard primarily designed to curb off-balance sheet finance. It reflects how accounting judgment is rapidly taking second place to prescriptive rules.

By comparison with earlier standards – even SSAP 16, which introduced current cost accounting and an entirely different system of profit measurement – this standard is of colossal length, albeit much in the form of application notes.

Business life is far more complex than the one dimensional approach of double entry bookkeeping. Very few accounting facts can be expressed in black and white. The function of the accountant is to communicate the colourful reality to a particular audience in an honest way that makes sense to them and enables them to make informed decisions.

The process of standard setting started innocently enough more than two decades ago. Because of the complexities of business, it was possible to adopt a number of completely different, but arguably equally acceptable, ways of looking at the same result. Some narrowing of the range was desirable.

But this perfectly reasonable process is increasingly in danger of transformation into an ever expanding "cook book" exercise in which it is more important to observe the rules than it is to get the message across.

One has only to look at the example of the leasing standard, SSAP 21, and the distinction it makes between finance leases (which feature on the lessee's balance sheet) and operating leases (which do not).

What it actually says is that the criteria for a finance lease should be presumed to apply if the present value of the minimum lease payments amounts to "substantially all" the fair value of the leased asset. It says that "substantially all" will normally mean 90 per cent or more. In practice, the figure is taken as an absolute barrier, and almost limitless effort is expended in order not to breach it. This is not what judgment, still less auditing, is all about.

The US experience of goodwill is another example of the way in which a detailed standard degenerates into a mechanistic approach. Under US GAAP, goodwill is capitalised and amortised, over a period not exceeding 40 years. Of course, practically everyone opts for the longest possible period, relying on the standard for support. It has taken the Securities and Exchange Commission, a much more interventionist regulator than exists in the UK, to force certain types of company to use a shorter period.

A number of factors have contributed to this cook book situation. One could look to Brussels as a convenient bogey, with its directive-driven mentality. But the fault, I am afraid, is much nearer to home and lies with professional accountants.

The process of preparing and auditing accounts varies in its nature. In many cases, there is a relationship of mutual respect between management and auditors, who see their joint objective as that of arriving at audited accounts which best reflect the activities of the company.

In others, the process involves a degree of tension. Managements wish to emphasise their successes and to minimise their failures. It is one of the auditors' roles to moderate this tendency and to ensure that a more balanced picture is presented.

It is sometimes forgotten that it is the duty of the directors to present a proper account of their actions to the owners of their business, the shareholders. Equally, auditors have retreated from their task. The existence of an increasing body of standards has provided a crutch for lazy minds.

There arises a perception that as long as you comply with the standards, the accounts must be "right" and, more dangerously, it risks an attitude that if there is no rule against a treatment, then it must be acceptable. Quite apart from the fact that the standards we have are by no means a comprehensive set of principles, this is an abdication of judgment. More attempts by the standard setters to produce a comprehensive set of instructions will simply encourage us to fall into this trap.

In the days before we had accounting standards, the "true and fair" view was paramount and weighed heavily in auditors' minds. Since then, we have allowed the audit to become an exercise in compliance, a checklist to be completed, rather than an endorsement of the way commercial and financial judgments are presented. This is totally wrong: the independent attestation of financial reports is fundamental to the efficient operation of our economic system.

I see FRS 5 as a watershed. It is not the fault of the Accounting Standards Board. Indeed, David Tweedie, its chairman, is on record as saying that the standard was only as long as it has turned out to be because of pressure from the accounting firms. This pressure simply represents the demand from audit partners for rules which they can turn to when confronted with a difficult situation.

We can either move further towards a US system, where fair presentation simply means that accounts comply with the rules, or we can try to revitalise the process of financial reporting so that judgment has a greater role to play and the myriad facets of a business are synthesised into something more than the sum of a cook book's parts. We, as auditors, have to convince the financial community that we have the qualities to exercise the judgments required, in a proper, timely and consistent way.

I am not looking to reverse the clock. Business life evolves continually, and accounting must do so too. Today's complexities were unthought of 20 years ago. But I would much rather my intelligence was taxed and I was able to make a positive contribution to financial reporting, than my role should be reduced simply to checking that all the rules have been observed – and to hell with the result.

Can this be accomplished? The precedents are not encouraging. If we are to achieve the necessary change in attitude and approach, directors must remember their reporting responsibilities as stewards, rather than as management, and auditors must be worthy of the respect their responsibility entails.

The auditing profession has already moved a considerable way towards this objective. As a profession we have made mistakes in the past, but the accounting firms are putting their houses in order. I sense a new awareness of the importance of auditing even at the potential expense of new jobs and the top line.

In my firm as in others, senior partners review difficult issues and poor judgment is not tolerated. We need to build on our philosophy and encourage robustness of opinion, based on proper consideration of the facts and not on truculence.

Externally, the workings of the Financial Reporting Review Panel have at least made people pause for thought, although I have to say that the way the panel's remit is phrased, and the approach it often adopts, is far too rule book-driven for my taste.

I am by no means certain that this change can be accomplished. I am much more certain that if we, collectively, do not attempt to change direction now, the juggernaut will gather even more momentum and we will never be able to get off the path that we are presently following towards a cook book of rules, and ultimately more interventionist regulators as we have seen elsewhere.

It is up to auditors, directors and regulators to decide if they are up to making the necessary effort of will. My opposite numbers in the accounting firms, the 100 Group of finance directors and the ASB, will all have a central role to play. If we fail, we will be all the poorer as a result.

The author is head of audit and accounting at KPMG Peat Marwick

Senior Product Controller Derivatives

Hong Kong — *Substantial package*

Our client is a major force in investment banking globally – pre-eminent in the creation, trading and distribution of securities and derivative products and a leader in risk management. Success built on financial acumen and capital strength is re-enforced with a strong focus on client relationships.

There is a requirement for a high calibre individual to join the controllers team in Hong Kong. The control function is pivotal to the organisation and works in close partnership with traders, sales people and operations teams, advising on the pricing, strategy and profitability of complex financial instruments.

The individual should be a qualified accountant with a strong knowledge of derivative instruments and be stimulated by the intellectual challenge of working with complex products and not afraid to use their initiative.

A knowledge of Hong Kong and the Asia Pacific region is required.

Confidence, assertiveness and the ability to rapidly establish credibility with the trading floor are key to success in this role. Excellent communication and interpersonal skills and attention to detail are pre-requisite.

The competitive remuneration package includes a merit based bonus scheme and a housing allowance if appropriate. This organisation prides itself on attracting outstanding individuals and the career opportunities are excellent.

For further information in the strictest confidence, please send your resumé to:
Raj Munde, quoting reference number 9/1678, to Morgan & Banks Plc, Brettenham House, Lancaster Place, London WC2E 7EN or if you prefer, call on 071-240 1040. Fax: 071-240 1052.

Morgan & Banks
INTERNATIONAL

Regulatory Controller

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Reporting to the European Financial Controller, the head of the regulatory section fulfils a particularly high profile and proactive function significantly beyond that normally associated with regulatory reporting.

In addition to managing a small team responsible for the preparation of the returns to the various bodies including the SFA, you will act as the interface between the front office and the regulators. The traders refer all the more innovative and complex deals to the regulatory controller for assessment. You will work with them in structuring the deals appropriately and negotiating where necessary with the regulators over the interpretation of the capital adequacy rules.

You will either be: fulfilling a similar role in a recognised institution but looking for a more genuine level of business involvement or; a qualified ACA at Manager level within the profession with significant exposure to capital markets and the associated regulatory issues.

This position should not be seen in an administrative form filling context. Rather, it is an outstanding opportunity to join one of the best known names in the securities markets in a creative role that actively influences the day to day trading of the bank. You will be involved in the latest developments in the capital markets whilst also building on your financial and management skills.

For further information in the strictest confidence, please send your resumé to: Tim Musgrave, Ref. 22/1679 at Morgan & Banks Plc, Brettenham House, Lancaster Place, London WC2E 7EN or if you prefer, telephone 071-240 1040. Fax 071-240 1052.

Morgan & Banks
INTERNATIONAL

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This has created an opportunity for a qualified ACA, able to use vision and experience to formulate a structured and focused marketing approach to understanding buyer behaviour. Your role will be to develop superior products which are strategically and tactically positioned to gain a sustainable competitive advantage. You will be required to meet strict deadlines and show an awareness of both client and revenue impact.

The successful candidate will have at least five years' post-qualification experience and a knowledge of international securities markets. Your background will, ideally, include exposure to fund accounting and the structuring of funds to maximise tax efficiency as well as business strategy and planning experience. You will certainly be keen to develop classic marketing skills. The ability to communicate effectively is essential.

We offer a salary of around £45,000 plus bonus plus comprehensive benefits including company car, subsidised mortgage and non-contributory pension plan. There are excellent career opportunities both within Worldwide Securities Services and throughout Citibank.

To apply, please write enclosing your cv to Sue Bertram-Smith, Vice President Human Resources, Citibank N A, PO Box 200, Cottons Centre, Hays Lane, London SE1 2QT. Alternatively, you may fax your cv to us on our confidential number: 071-234 5279.

CITIBANK

We are an equal opportunities employer

Outstanding opportunities for Finance Professionals

Watford — *c.£35,000 + benefits*

Cadbury Beverages Europe (CBE) is part of Cadbury Schweppes Plc, a worldwide group of companies which manufactures confectionery and soft drinks in over 100 countries. CBE is responsible for the manufacture and marketing of a variety of soft drink brands for Continental Europe through joint ventures, distribution arrangements, franchises and the company's own bottling operations. The brands include Schweppes, Gini, Sunkist, Malvern, Canada Dry, Oasis and Trinaranjus.

Financial Controller
The financial controller will work closely with the franchise team in providing financial and commercial management for the western franchise business which covers ten countries. This is a highly commercial role and will involve formulating strategies to ensure the growth and development of the business. **Ref: 9/1670.**

Treasury Manager
The treasury manager will provide a full treasury and tax service to the region. This includes advising operating companies on treasury management, monitoring and managing cash flows and exposures and working closely with group tax and treasury managers on strategic issues. **Ref: 9/1669.**

Financial Planning Manager—Spain (ex-pat. package)
The position, after an initial induction period in Watford, will be based in Madrid. Working closely with the Finance Director, the individual will have responsibility for providing and analysing financial information for planning, reporting and project evaluation for the operations in Spain. Fluent Spanish is a pre-requisite. **Ref: 9/1680.**

The ideal candidates will be qualified Accountants with a strong academic background, aged between 27 and 33, with at least two years commercial treasury experience or five years commercial accounting experience. A second European language would be a distinct advantage. The individuals should also have excellent presentation and communication skills and show the energy and enthusiasm to thrive in a challenging environment.

The package will include a salary dependent on experience, a company car and a company performance related bonus. The career opportunities within the group for high calibre individuals are outstanding.

For further information in the strictest confidence, please contact our advising consultant Raj Munde on 071 240 1040. If you prefer, send your resumé quoting the appropriate number to Morgan & Banks Plc, Brettenham House, Lancaster Place, London WC2E 7EN.

Cadbury Schweppes

Financial Controller

North West — c£35,000 package, car, benefits

Decentralisation of c£100 million turnover division of well established UK plc creates need for commercial finance professional. Key role to support Managing Director and compliment existing management team in profitable, expanding, c£10 million turnover subsidiary engaged in importing and distribution of branded consumer products.

THE ROLE

• Report to Managing Director with functional responsibility to Divisional Financial Directoı Total responsibility for Financial Management of three discrete brands. • Enhancement of Management Information Systems to suppc : executive decision making and impact upon profitability. • Total involvement in commercial and strategic decision making process.

THE QUALIFICATIONS

• Graduate Qualified Accountant. Late twenties/early thirties. Self motivated with high degree of commercial accumen and potential to progress quickly to Board level. • Previous experience of profit centre responsibility in branded goods environment preferably with sound appreciation of legal requirements of concessions • Ability to promote change coupled with strength of character to deliver.

Please reply in writing to BHM Search & Selection 4th Floor Emco House 5/7 New York Road Leeds LS2 7PL enclosing a full curriculum vitae and quoting Reference BHM 10075. Telephone 0532 467033 Facsimile 0532 433691.

BHM
SEARCH & SELECTION

Management Accountant

South Hampshire — c£26K, car + benefits

Our client is a contracting and construction company serving the South West of England and is a subsidiary of a major UK construction group. Over many years, it has developed an excellent reputation which enables it to deal successfully with multi-million pound projects as well as small schemes. As a result of a growing order book and confidence in the future of the region, the company has decided to establish a new position of Management Accountant reporting to the Regional Finance Director.

The new accountant will be responsible for the preparation of monthly management accounts, conduct profitability and variance analysis, prepare budgets and be responsible for the development of innovative management reporting procedures. An involvement in the day to day accounting procedures will also be required.

The ideal candidate will be ACMA/ACCA qualified, aged late 20's with 2 to 3 years commercial post qualification experience in a practical, hands-on environment. Applicants must be results-orientated, bright and robust. Familiarity with computerised systems and spreadsheet applications is essential.

Please write in confidence, enclosing career and salary details to Tony Saw, quoting reference W2724.

KPMG Selection & Search
1–2 Dorset Rise, Blackfriars, London EC4Y 8AE

HEAD OF ADMINISTRATION

Expanding City firm of headhunters seeks to appoint a Head of Administration who will take over the day-to-day running of the company from the Managing Director.

The person appointed will be a chartered secretary/accountant, computer literate, a graduate and within the age range 35-45. Experience of working within a partnership style firm is desirable. An outgoing personality, tact and the ability to work in and contribute to a team environment will be vital.

The remuneration will be competitive and should not be a limiting factor for the right candidate.

Please write to
Baines Gwinner Limited, 1 Founders Court, London EC2R 7HD or telephone Sue Hutchings on 071-600 1414

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OPERATIONAL REVIEW

If you simply see an internal operational review function as checking up on how other managers do their jobs, then this role is definitely not for you. What we're looking for is someone with superb technical expertise, linked to strong interpersonal skills – with a touch of the visionary thrown in for good measure!

THE POSITION

- Reviewing all airline operational areas to minimise exposure to financial risk.
- Focussing on financial systems and procedures in a complex, international business.
- Detailed and "hands on" whilst supplying the professional overview.
- Supportive and enlightening, rather than critical and adversorial.

THE PERSON

- Qualified A.C.A. with a background in auditing large organisations.
- Must have significant commercial experience outside of the profession, ideally within a similar role.
- Analytical with extensive knowledge of systems.
- Capable of developing the function from scratch – energetic and determined self-starter.
- Able to spot the unconventional solution when appropriate.

WEST SUSSEX
c. £27,000 per annum + Benefits

For more information, candidates should apply in the first instance by sending a current Curriculum Vitae to our advising consultant: Ron Irving, Managing Director of The Hamilton Irving Consultancy at No 6 Baron's Gate, Rothschild Road, Chiswick, London W4 5HT. Naturally we guarantee the strictest confidentiality to all applicants.

Virgin atlantic

Project Manager

for the development of

Activity Based Costing

A Europe-wide initiative in international banking

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The Global Technology and Operations Financial Control Unit works closely with the business areas to optimise efficient resource management. Activity Based Costing (ABC) is now regarded as a critical initiative in this respect, and we are seeking a skilled ABC practitioner to develop and implement the methodology for all operations throughout London and Europe.

To have the confidence, credibility and capability for the project, you will need to be a graduate chartered accountant with seven to ten years broad-based experience in industry. This will have included management of ABC projects, with your most recent experience being focused on ABC implementation in the financial services sector.

An effective communicator and team motivator, you are now looking at the chance to play a key role in an initiative unrivalled in the international banking sphere. The career prospects are exceptional and the rewards outstanding.

Please write with your cv to Paul Barry, CTO Financial Recruitment, J.P. Morgan, 60 Victoria Embankment, London EC4Y 0JP.

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CHIEF FINANCIAL OFFICER (DIRECTOR DESIGNATE)

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We need a "hands on" person to integrate at board level - prerequisites are public company/acquisitions experience, proven record of success in managing the full financial functions and ability to interact with the City and relevant professionals.

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Financial Controller

Financial Services

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Challenging new appointment within leading financial services institution. Unlimited career progression.

THE COMPANY

- Major UK based financial institution. Asset value exceeds £10 billion.
- Successful division with significant profit contribution. Period of substantial change and systems development.
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THE POSITION

- Newly-created, broad reaching role with responsibility for financial management and control, financial and management accounting, budgeting, cash flow and taxation.
- Significant strategic input. Remit to provide clear leadership and drive cultural change.
- Extensive top level contact, both internal and external.

QUALIFICATIONS

- High achieving, graduate ACA, aged 35-45. Big 6 background.
- Broad financial management experience from tightly controlled organisation, preferably in financial services.
- Ambitious and results-driven with commercial flair. First class interpersonal skills. Able to progress further.

Please send full cv, stating salary, Ref LN1599
NBS, 54 Jermyn Street, London SW1Y 6LX

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FINANCIAL PLANNING ANALYST

North London

£28,000 + Bonus + Benefits

This major UK retailer comprises several well known names and boasts sales in excess of £1bn. It prides itself on the ability to interpret demand and anticipate change, and leads the marketplace through customer loyalty and quality personnel.

The Financial Services division is an integral part of the group, contributing to its overall profitability.

The company seeks an outstanding individual to identify profit improvements and input financial expertise to management decision-making. The position reports to the Financial Planning Manager. You will play a key role in determining the success and profitability of new business areas and product lines. This will include pre- and post-marketing campaign analysis, together with forecasting and budget schedules to highlight areas for continuing improvement, along with ad hoc project work.

The successful candidate will be a recently qualified ACA with first time passes from a 'Top 6' firm, and also possess a good honours degree. You will demonstrate first rate analytical and interpersonal skills combined with a task orientated and motivated approach. You will also seek a fast track career opportunity within a quality business.

*Interested candidates should contact **Brian McCreery** at Harrison Willis on **071 629 4463** (081 875 1068 evenings/weekends), or send a full CV to the address below (fax 071 629 3937) quoting BM 304.*

HARRISON WILLIS

FINANCIAL & LEGAL RECRUITMENT CONSULTANTS

Cardinal House, 39-40 Albemarle Street, London W1X 3FD. Tel: 071-629 4463

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Reporting to the Director of Taxes, this role provides the chance to assist, imaginatively, with the day to day management of tax affairs within the Group; engage in specific advisory and project based work relating to both UK and overseas (mainly continental) tax issues; and deliver high level advice/play an active role in the co-ordination of our overall tax strategy. Specifically, this will involve contributing to discussions on innovative funding techniques; tax implications of acquisition proposals; and the development of new entities.

Likely to be in your 40's with a relevant professional qualification, you will be commercially astute, and well able to communicate complex tax issues effectively to non-tax colleagues. Sound experience, both UK and continental, is absolutely essential — whilst experience further afield would be a bonus. Proven knowledge of re-constructions; mergers; acquisitions; and some dealings with finance structures are also needed, whilst experience of dealing/negotiating with various Revenue authorities would be most helpful.

You must have strong linguistic abilities (fluency in English plus command of other languages, preferably including Dutch) and be prepared for extensive travel. In so many ways, this is a *thoroughly international*, and *particularly European* role 'sans frontieres', and we are keen to maintain the international 'feel' to our team.

A convincing personal style; a freewheeling lateral thinker; a 'rolled-up sleeves' approach; proactive; self-disciplined: *this is the style that will mesh well with us.* If this is you, and you fancy a move to London (or indeed, if you are already here), write to our advising consultant, Hamish Davidson quoting reference H/1446/FT. Alternatively, call him for an informal and totally confidential conversation.

Executive Search & Selection, Price Waterhouse,
Milton Gate, 1 Moor Lane, London EC2Y 9PB.
Tel: 71 939 6312. Fax: 71 638 1358.

GROUP FINANCIAL CONTROLLER

Reverse takeover... Recently quoted Plc

Bristol — **To £40,000 + car**

UK Safety plc was formed in May 1993 as the result of the reverse take-over of Television South West Plc (TSW) by UK Safety Group Ltd (itself created as a result of an MBO in 1988). Already a leader in the expanding personal protective equipment market the new company is committed to business development, organically and by acquisition.

This new role, reporting to the Group Finance Director, requires a high calibre accountant aged under 40 with previous manufacturing experience preferably in high volume production. Based at group headquarters in Bristol you will have responsibility for coordinating monthly results from the four trading divisions liaising with local management, reviewing their performance and ensuring all internal controls are operating efficiently. A sound systems understanding of networked P.C.'s is essential as is the ability to communicate effectively with internal management and external advisors. Strong interpersonal skills and the drive and commitment to work within a small dedicated team are critical.

Having achieved the first phase of its development from MBO to public quotation... the business now has the platform for real growth. The prospects for both the company and the individual are therefore outstanding.

To apply please write with a full C.V. quoting reference number 1283/FT to Adrian Wheale or Tom O'Neill at WTH Executive Resourcing, 49 Berkeley Square, Clifton, Bristol BS8 1HG.

WHEALE · THOMAS · HODGINS · PLC

Director Of Finance

Healthcare

Midlands

£50,000 Package

As a major purchaser of healthcare services, our client is responsible for securing the best possible health for its residents within the available resources. Managing a purchasing resource in excess of £170 million, the focus is on *obtaining full value for money from healthcare providers* and on achieving the highest standards of quality and service.

Reporting to the Chief Executive, your role is fundamental in meeting the organisation's objectives and financial targets. You will be involved in corporate and financial strategy, and in the development and management of effective financial policies and systems in order to achieve the business plan.

To be considered, you must be a qualified accountant who has operated in a senior management position in a large organisation for at least four years. Being a results-orientated professional you should possess excellent motivational and communication skills. Age is not an issue, but candidates who are less than 35 years are unlikely to have the required levels and depth of experience. Of particular interest are those applicants who have an understanding of the purchasing and contracting processes. In addition, you must be a clear and objective thinker who has the ability to quickly instil confidence and credibility.

Interested candidates should submit a CV, in confidence, to James Thompson, Hoggett Bowers, Amethyst House, Spring Gardens, Manchester M2 1EA, 061 832 0445, Fax: 061 832 0089, quoting Ref: MJT/3860/FT and indicating full salary details.

Hoggett Bowers

EXECUTIVE SEARCH AND SELECTION

Outstanding Opportunities - UK Stockbroker

Newly/Recently Qualified ACAs — to £30,000 + Bonus + Benefits

Our client is a leading corporate stockbroker with an excellent reputation for research and quality of service.

In recent years they have undergone a significant period of development and they are now seeking to strengthen their operations division by the recruitment of four additional staff.

You will join their Management Development Programme where the emphasis will be on you acquiring skills in a wide range of areas through a high degree of ad hoc project work. You will be part of a multidisciplinary team, initially, gaining exposure to several of their key operational areas.

Your success and personal development will then lead to a long and varied career within the organisation.

Candidates will be qualified accountants with up to two years post-qualification experience who are still in Public Practice or alternatively, working in a commercial environment. Financial services experience is **not** essential as the emphasis will be on team players with strong interpersonal skills and the ability to work well under pressure.

These are excellent opportunities to fully develop your potential in a supportive and exciting environment.

Interested applicants should contact
Andrew Fisher, Parkwell Management Consultants Ltd
3 Catherine Place, Westminster SW1E 6DX Tel: 071 233 5207 Fax: 071 233 5205

PARKWELL

BBC TELEVISION

Assistant Production Accountants

BBC · DRAMA · GROUP

BBC Drama is a major source of drama output, with productions ranging from ***EastEnders*** to ***Screenplay*** and ***Middlemarch*** to ***The Snapper***. As part of a fundamental reform programme they are in the process of improving financial control and reporting on their productions.

Assistant Production Accountants will support Production Accountants on individual productions. With a wide-ranging job description successful candidates will assume responsibility for the following:

- Maintaining the financial records of the production as well as assisting in the monitoring of all areas of production expenditure.
- Producing accurate and timely financial information for the Production Accountant.
- Ensuring correct calculation of payments and the prompt processing of transactions.

The successful individuals will possess relevant production accounting experience or have a genuine interest in the financial and budgetary control of both TV and feature film production. A recognised accounting qualification, whilst beneficial, is not essential, but first class book-keeping and communication skills and the ability to liaise effectively with production staff are vital.

Salary according to qualifications and experience. Based West London.

For an application form and further details send a postcard (quote ref. 14973/F) by April 26th to BBC Recruitment Services, PO Box 7000, London W12 7ZY. Tel: 081-749 7000 Minicom 081-752 5151.

Application forms to be returned to Jon Vonk at Marks Sattin, 18 Hanover Street, London W1R 9HG by April 29th.

WORKING FOR EQUALITY OF OPPORTUNITY

MARKS • SATTIN

FINANCIAL RECRUITMENT CONSULTANTS

CJA RECRUITMENT CONSULTANTS GROUP
2 London Wall Buildings, London Wall, London EC2M 5PP
Tel: 071-588 3588 or 071-588 3576
Fax No. 071-256 8501

An exacting and demanding position with strong promotion prospects. Prospect of stock options

ALPS

GROUP TAXATION MANAGER
CONTRACTING & SERVICES

CENTRAL LONDON **Circa £95,000**

BRITISH MULTI NATIONAL SERVICES GROUP, T/O IN EXCESS OF £3 BILLION

We invite applications from candidates aged 35-48 either F.C.A. or with a University degree who ideally will have achieved at least 5 years practical Inland Revenue experience, and not less than 4 years in Corporate Tax at a senior level within a multi-national organisation, preferably in the contracting or services sector. Reporting will be to the Head of Treasury and Taxation. Responsibilities will cover overall responsibility for the management of the Group's tax affairs and provision of tax services to all group companies through a tax team in the UK and overseas. There will be an initial emphasis on streamlining to ensure optimum use of resources, and the provision of sound advice on International tax and its implications. Tenacity, intellectual capacity, the ability to achieve deadlines, and operate effectively in a fast moving commercial environment is important. Initial salary negotiable circa £95,000 + car, contributory pension, health cover and other large company benefits.

Applications in strict confidence under reference CTS233/FT to the Managing Director: ALPS

TONER GRAHAM
ACCOUNTANCY RECRUITMENT SPECIALISTS

TAXATION AND TREASURY CONTROLLER

SOUTH MIDLANDS c£42,000 + BONUS + CAR

Our client is a major subsidiary of the largest consumer products group in the world. With a UK turnover in excess of £1/2 billion, an explicit commitment to growth, both organically and by acquisition, and an exceptional range of branded products, the company is well positioned to capitalise on the market opportunities of the future.

Following an internal promotion and restructuring, a key opportunity has arisen for a quality finance professional within the UK Head Office. Reporting to the Group Finance Director responsibilities will be challenging and varied including: control and management of all taxation, treasury and pension fund issues and support on acquisitions and divestments.

Successful candidates will be qualified accountants with a rudimentary experience of UK taxation and treasury management, preferably acquired in a sophisticated, multinational organisation. Excellent communication skills, a high level of commercial awareness and the ability to think incisively are vital qualities.

In return the company offers an attractive package including negotiable salary (based on experience), performance related bonus and full relocation assistance if required. Equally important is the opportunity to join an extremely dynamic and successful group where career advancement is based on ability and merit.

Interested candidates should write, enclosing a comprehensive C.V. in the strictest confidence, quoting reference RST21 to:

Paul Toner at Toner Graham,
8 Imperial Square,
Cheltenham, GL50 1QB.

International Finance Manager

Outstanding ACA

London

c£45,000 + Car + Excellent Benefits

WH

Our client is an international market leader in its service sector, with a truly global network of offices throughout North America, Europe and the Asia/Pacific region. Its reputation for quality of service and employment of state of the art systems technology, has allowed it to maintain its leading market position for over two decades.

There currently exists within the organisation, the opportunity to augment the management team, with the appointment of a high calibre ACA. Reporting to the Director of International Finance in New York, the role offers full responsibility for the finance functions of the UK and German offices. Key elements of the role will include general accounting issues, financial planning and analysis and control of all tax and treasury matters. As part of the general management team in these locations, the successful applicant can expect real involvement in commercial issues outside of the financial arena, whilst maintaining day to day control of the finance function. This is an excellent broadly based role, offering real breadth of experience at a senior level.

The opportunity will appeal to a high calibre graduate ACA with a proven track record in a 'Big 6' public practice firm. Applicants may already have made an initial move into commerce. Either background must have produced prior in-depth experience of working within an international service orientated organisation. Strong academic and technical skills are prerequisites, as is the ability to liaise with professionals at the most senior levels and the self-confidence to work with minimum supervision on complex international projects. Due to the continuing success our client is experiencing, the successful applicant's future may lie in an international role arising from either organic or acquisitive growth.

The rewards will include an attractive basic salary, company car, excellent benefits package and the opportunity to develop a stimulating career within this high profile international group.

For further information in strict confidence, please forward a brief resumé to either Robert Walker or David Craig at our London office, quoting reference RW1414.

WALKER HAMILL
Executive Selection

29-30 Kingly Street
London W1R 5LB
Tel: 071 287 6285
Fax: 071 287 6270

MAJOR UK FINANCIAL INSTITUTION

FINANCIAL CONTROLLER

c.FF300,000 pa + banking benefits · Paris–base

Our client, a major UK financial institution with offices in the UK and Europe, wishes to appoint a Paris-based Financial Controller.

Reporting to the European Financial Controller in London, your prime responsibilities will be the control and review of all management information provided to the UK, the production of quarterly financial reports and the monitoring and appraisal of performance.

You will be qualified with about two years' post-qualification experience, ideally with experience of financial reporting or management accounting in the finance sector.

A high calibre professional, you must combine excellent communication and analytical skills with the credibility to gain the confidence of local management. Fluent French and a knowledge of PC applications will also be required in this challenging post.

To apply, please write with your CV, stating any company to which your application should not be sent, to: Alastair Lyon, Confidential Reply Handling Service, Ref: 867, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

ASSOCIATES IN ADVERTISING

APPOINTMENTS ADVERTISING

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For information on advertising in this section please call Gareth Jones on 071 873 3779
Andrew Skarzynski on 071 873 4054

Finance & Administration Director

Professional Services

c.£45,000 + Bonus + Benefits Central London

Key role for a progressive, inquisitive finance professional within strategic management team of UK market leader.

THE COMPANY
- Autonomous £10m division of fully quoted £70m British plc. Blue chip client base.
- Outstanding growth record. Expanding in UK and into continental Europe.
- Focused, entrepreneurial consulting business with exceptional quality ethos.

THE POSITION
- Formulate and implement policy.
- Create innovative information systems to support sustained development and prudent management.
- Full responsibility for finance, accounting, IS and personnel supported by a small, able team.

QUALIFICATIONS
- Graduate chartered accountant. Possibly an MBA.
- Particular expertise in financial controls, gained in a top class business.
- Well developed analytical and commercial skills. Strong IS bias. Hands-on.
- Effective communicator. Energetic and ambitious.

Please send full cv, stating salary, Ref NBSPAB
NBS, 54 Jermyn Street, London SW1Y 6LX

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NBS

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Assistant Controller

International Operations

London c£33,000 + bonus + car

A major US multinational, our client is the world's leading supplier of information services on the IT sector. It specialises in publishing, research and expositions and operates in 60 countries worldwide.

This is a key role in the International Controllers Office, based in Central London. Part of a small high-profile team, maintaining control over all the businesses outside North America, the successful candidate will liaise closely with subsidiary Controllers and ensure accurate and timely financial reporting. Key tasks will include financial analysis and review, preparation of cash statements and balance sheet consolidation work. You will travel regularly to review on-site controls, conduct ad-hoc investigations and participate in other business development activities.

Candidates should be Chartered Accountants in their late 20s/early 30s, with sound experience of financial reporting, ideally gained in an international service environment. You should be a self assured team-player, who can take responsibility with limited supervision and who is experienced in the use of PCs. This varied international role will suit someone with ambition, drive and strong communication skills. It offers a flexible remuneration package and real scope for career development.

To apply please write with full CV and current salary package to Paul Carvosso Ref: A54D32, MSL International Limited, 32 Aybrook Street, London W1M 3JL.

MSL International
CONSULTANTS IN SEARCH AND SELECTION

CHRISTIE'S

UK Chief Accountant ACA/ACCA/CIMA

London 27-32 years

Founded in 1766, and publicly quoted since 1973, Christies International Plc is one of the world's leading fine art businesses. With representation in over thirty countries globally, the group achieved 1993 sales of £728m, and continues to expand. The company culture is both competitive and entrepreneurial, with the focus on the provision of superior client services.

There now exists a requirement to augment the management team of the main UK auction company (sales c.£200m) with the recruitment of a Chief Accountant. Reporting at group level and controlling a team of 19, the appointee will be primarily responsible for all aspects of financial control and reporting. This proactive role will also involve significant exposure to senior operating management.

The ideal individual will be a qualified accountant, aged 27-32, with a record of achievement in managing staff in a commercially orientated environment. Experience of producing statutory, financial and management accounts is essential. Computer skills should include spreadsheets, report writing and maintenance of computerised ledgers. The abilities to liaise with professionals at a senior level, impartially assess operational issues, motivate and enhance the performance of the existing finance function, and constantly adapt in a fast moving environment are essential.

The benefits include an attractive remuneration package, and the opportunity to develop a stimulating career within this rapidly developing international group.

For further information in strictest confidence please contact Brian Hamill or Robert Walker on 071-287 6285. Alternatively, forward a brief resumé to our London office quoting reference BH 991.

WALKER HAMILL
EXECUTIVE SELECTION

29-30 Kingly Street
London W1R 5LB
Tel: 071-287 6285
Fax: 071-287 6270

FINANCIAL CONTROLLER

WATERLOO **£27,000** *"contributing to the successful development of the South Bank"*

Coin Street Community Builders (CSCB) was established to provide 'public service' with all profits put to this purpose rather than distributed. In 1984 it bought 13 acres of London's South Bank (between Waterloo and Blackfriars Bridges). Since then it has organised the demolition of derelict buildings, the completion of the South Bank walkway, the laying out of a new riverside park, the creation of Gabriel's Wharf market and the building of Mulberry Housing Co-operative. A further co-op is being built at Broadwall and Oxo Tower Wharf is being redeveloped for mixed uses. CSCB is also involved in wider South Bank and London initiatives.

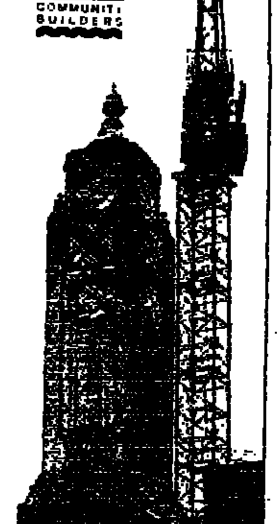
CSCB now wishes to strengthen the finance team by appointing a Financial Controller. Reporting to the Finance Director, the postholder will assist in the provision of timely management information to ensure that the financial affairs of the business are undertaken efficiently and within agreed policies and budgets. Specifically this will include the preparation of financial and management accounts on a periodic basis, cashflow projections, budget variance commentaries and generally supervising the accounts function.

Applicants for the position should be qualified accountants, probably with a minimum of two years post-qualifying experience and be well versed in all aspects of financial management. They should be systems literate and be able to provide a sound commercial input into the finance function. The ability to relate at all levels and the possession of first class communication skills, both orally and in writing, are essential to the appointment.

Interested candidates should write enclosing a detailed curriculum vitae outlining their suitability to the position together with salary details and quoting reference JC490 on the letter and envelope to Jeff Cottrell, Ernst & Young Corporate Resources, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH (all correspondence will be dealt with directly by the client).

"CSCS aims to be an equal opportunities organisation and all staff are expected to share this commitment"

COMMUNITY BUILDERS



هكذا من الاصل

Finance Director

London — **c £50,000 + Bonus + Car**

Our client is a rapidly expanding $50 million turnover, highly profitable European division of a major US corporation which develops, manufactures and markets premium branded consumer products in the cosmetics, toiletries and fragrances sector. An ongoing commitment to innovation and quality has established the business' global leadership in a highly competitive marker.

The Finance Director will be responsible for all aspects of financial management, systems development, planning, international treasury, taxation and the maintenance of an effective interface with the US parent company. Particular emphasis will be given to strict control of working capital especially concerning cash flow, standard costing and inventory issues. As a member of the senior management team the overriding requirement is to provide a commercial and strategic contribution to the long term, profitable growth of the business.

Candidates, aged 32-45, will be graduate, qualified accountants with a proven record of senior management experience gained in an FMCG, manufacturing environment. Excellent communication skills, strong computer literacy and a flexible approach to business management will be essential. This is a young, dynamic company requiring total commitment and action rather than delegation.

Applicants should forward a comprehensive CV by the closing date 21st April, 1994, quoting ref 185623, to **Mark Hurley ACMA, Executive Division, Michael Page Finance, 39-41 Parker Street, London WC2B 5LH.**

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Finance Manager

West End — **£35,000**

Our client is a family run investment management company providing innovative investment management strategies and advice.

Due to growth in the portfolio the company is creating a new position, Finance Manager, to proactively run the treasury management function.

Responsibilities include:

- Overview and report on performance of fund managers.
- Optimise worldwide cash management.
- Maintain global hedging.
- Maintain and develop external relationships to maximise investment performance.
- Continuously review performance to produce innovative strategies for future growth.
- All aspects of IMRO financial compliance.

The ideal candidate will be a chartered accountant aged 27-35, with a strong understanding of treasury products. As a self starter the individual will also demonstrate excellent communication skills and a proactive attitude to this key appointment.

Interested applicants should forward their details to **Jonathan Williams at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.**

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Ambitious ACA – Money Markets

City — **£ Excellent Package**

Our client is a prestigious UK merchant bank providing merchant banking and investment management services to clients worldwide.

Due to internal reorganisation, there is now a need to recruit a qualified ACA to join one of the divisions within the financial control department. The role will involve managing a small team responsible for the product accounting support for all currency and interest rate products, including derivatives.

Main responsibilities include:

- Management of staff
- Liaison with dealers and management
- Dealing with day-to-day accounting issues
- Daily profit reporting and monthly management accounts
- Assessing systems, reporting control and valuation implications of new products.

The minimum requirement for this role will be a qualified ACA with at least 18 months relevant post qualification experience, but there is scope to take on a more senior individual. It is likely that the candidate will have gained relevant experience from either a merchant/ investment banking product accounting environment, or alternatively from the corporate treasury department of a major PLC. However, those candidates who have gained appropriate experience within the profession will be considered.

Most importantly, the ideal candidate must be an intelligent and flexible individual with good interpersonal skills who can demonstrate the maturity to take on staff management responsibilities, as well as liaison with all levels of management.

For the right individual, this role will offer both variety and an unrivalled career progression. Remuneration will be flexible depending on level of experience, but will include all usual banking benefits. Interested applicants should forward their curriculum vitae to Stephanie Warren at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Finance Manager

Surrey — **c £32,000 + Car + Benefits**

Our client is a leading multi-national corporation involved in the manufacture of medical products and technology. A dynamic business that builds on a record of many years of exceptional growth, with sites throughout the world, the company operates from a position of considerable strength.

The UK company, with a turnover of £25 million supplying the UK and overseas markets, has an opportunity for a Finance Manager to join the operation. Reporting to the UK Finance Director, responsibilities include:

- Financial control of the operations, profitability and assets of the company.
- Providing timely and accurate management and cost accounting information.
- Effective monitoring of the business and providing proactive financial and commercial advice.
- Systems development.
- Managing, motivating and developing a team of staff.

The successful candidate, aged between 28-36, will be a qualified accountant of high calibre with sound commercial accounting experience. Previous exposure in a manufacturing environment, coupled with man-management skills are essential.

Successful applicants must be ambitious, demonstrate an enthusiastic and outgoing personality, and the desire to broaden their responsibilities into non-financial areas. Excellent career opportunities exist for the right candidate.

Candidates interested in this challenging opportunity should apply immediately by sending a full curriculum vitae to **Angela Webb at Michael Page Finance, Windsor Bridge House, 1 Brocas Street, Eton, Berkshire SL4 6BW. Tel: 0753 856151.**

Michael Page Finance
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London Bristol Windsor St Albans Leatherhead Birmingham
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DDI
DEVELOPMENT DIMENSIONS INTERNATIONAL

European Financial Controller

Bucks — **c £35,000 + Car**

Development Dimensions International is a human resource training consultancy with their European Headquarters in High Wycombe. With over 700 employees worldwide, they are the only human resource provider to fully integrate services to build empowered organisations. Applying the highest professional standards to their products and people has enabled them to achieve worldwide success and market leadership.

This position represents a rare opportunity for an ambitious accountant and requires an individual who is determined, innovative, possesses excellent motivational skills and the ability to influence others through the provision of sound and practical commercial advice.

Reporting to the European Vice President, responsibilities will include:

- Provision of first class day to day commercial and financial control.
- Proactive management of the financial reporting process.
- Membership of the management team responsible for the strategic development in Europe.
- Developing the organisation's management and control information.
- Interacting with both local and overseas colleagues in a mature and effective manner, building rapport and respect.
- Managing the company's administrative and personnel processes.
- Extensive liaison with their US parent company.

The successful candidate will be a computer literate qualified accountant with at least four years PQE who can demonstrate excellent interpersonal skills, commercial awareness and the ability to manage people effectively. You will possess the ability to succeed in an informal but professional environment and the ability to work collaboratively in a dedicated team. Knowledge of US accounting standards and reporting requirements would be a distinct advantage.

Interested applicants should write, enclosing a comprehensive curriculum vitae to Frances McCutcheon at Michael Page Finance, 1 Brocas Street, Eton, Berkshire SL4 6BW. Telephone 0753 856151.

Michael Page Finance
Specialists in Financial Recruitment

ASSISTANT GROUP TREASURER

An Opportunity for a Young Professional

Edinburgh — **c.£30,000**

Christian Salvesen PLC's diverse range of companies have a combined turnover in excess of £500 million. Our geographic spread covers the UK and Europe, North America, Australasia, the Far East and Middle East with businesses including Distribution, Food Processing, Specialist Hire and Manufacture. This diversity involves working in a wide range of currencies and fiscal areas.

Reporting to the Group Treasurer, this challenging role will involve you in cash management, integrating forecasts and optimising cashflows, implementation of central borrowing strategies and foreign exchange exposure management and dealing. You will also provide treasury advice to our operating companies and become involved in ad-hoc treasury related projects.

A graduate and a qualified accountant you will ideally be a member of the Association of Corporate Treasurers or be working towards membership. Your 2/3 years Treasury experience will probably have been gained in an industrial environment where you will have developed commercial awareness together with the ability to rapidly prioritise the day to day requirements of the role. Well-honed communication skills are essential as you will be in regular contact with Senior Operations Managers, Foreign Exchange Dealers and Banks.

Salary is negotiable around the £30,000 level and benefits include private healthcare, pension and life assurance schemes together with relocation assistance to the Edinburgh area which offers reasonably priced housing, capital city social amenities and good quality schooling.

To apply, please send a full c.v. to:
Louise Clarkson,
Recruitment and Development Manager,
Christian Salvesen PLC,
50 East Fettes Avenue,
Edinburgh EH4 1EQ.

Christian Salvesen
Success through Service.

FINANCE DIRECTOR – PLC

High Profile Finance and Administration

Central England — **Package to £50k**

This appointment provides an exceptional opportunity for an ambitious and versatile manufacturing finance professional to join a small, highly focused plc board.

World renowned in its market, this engineering business has successfully met the challenges of deep recession. It now faces the equally demanding financial management task of profitable and soundly financed market-driven worldwide growth.

You will report to the Managing Director. Your prime tasks will be the provision of tight financial control and the rigorous evaluation of both strategic and tactical options. In both areas you will personally underpin confidence among key institutions. Additionally, the Secretarial and Treasury functions are within the remit, as is membership of the Pension Fund Board of Trustees.

An FCA with an operational perspective, you will have vision and expertise to fully capitalise on recent IT investment. You must also have the robustness and confidence to add value to a team already noted for its management skills.

Your experience must include direct involvement in all the key areas described above. It is therefore probable that you already have 3–5 years experience at F.D. or Controller level in an industrial plc. A second European language would be valued.

The package, as indicated, includes executive car, pension, life assurance, share options and full relocation support if necessary.

Please send your career details, current salary and an explanation of how your career to date provides evidence of your ability to meet the demanding specification to: I R Day, Barnes Kavelle Limited, Cavendish House, Queen Street, Mirfield, West Yorkshire WF14 8AH quoting reference: 7022.

RECRUITING BARNES KAVELLE EXCELLENCE

Finanz Direktor

Multi Nationale Firma in England sucht einen qualifizierten Britischen finanz Direktor fuer den norddeutschen Raum. Alter 30-40, mit Universitaetsgrad und moeglichst Diplom Betriebswirt. Gute Verdienstmoeglichkeiten.
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APPOINTMENTS WANTED

FINANCE DIRECTOR/CEO

- Seeks position managing expansion of international group
- Chartered Accountant FCA with significant European management experience in service sector
- Hands-on track record
- Leadership,M&A and negotiating skills
- Excellent French, Spanish, German

Write to Box A2003, Financial Times, One Southwark Bridge, London SE1 9HL

GROUP FINANCIAL CONTROLLER

Manufacturing

London/West Country — **c£40,000 package**

Running the finance function of a medium sized family led, multi-location group of companies with highly complex manufacturing operations, demands outstanding MIS skills. Add the fact that a dominant position is held within their specialised (consumer) markets, and that the industry is in a state of flux.

Furthermore, the company is well established and profitable and, following a recent acquisition, is conducting a fundamental review of how to achieve its vision for the future and the systems required to secure those ambitions. The result is a particularly demanding, difficult, but stimulating appointment requiring time in both London and The West Country.

In addition to being professionally qualified, systems/computer literate, aged 35 plus with an impressive, stable track record in a manufacturing company, your abilities to produce short term solutions to problems in advance of long term analysis of opportunities are of paramount importance. Strong interpersonal skills are vital.

Kidsons Impey
Search & Selection Limited
29 Pall Mall, London SW1Y 5LP
Telephone: 071-321 0336
Fax: 071-976 1116
UK, France, Germany, Italy, Austria, Hungary, Poland, Belgium, Switzerland, Czech Republic and Slovakia

KIDSONS IMPEY

Please write in confidence to convince Peter Willingham to meet you. Enclose your CV including a daytime telephone number quoting reference 745.

PROFESSOR OF ACCOUNTING

Department of Accounting and Finance
School of Finance and Information

The professor will be required to provide academic stimulus and leadership in the Department, and to contribute to the work of the Department, School and University.

Closing date: 16th May 1994.

Applicants must have either a primary degree or a higher degree in an appropriate subject. A doctorate and/or professional qualification is desirable. They must have teaching experience in a higher education institution, and significant or substantial research output of good quality in a relevant field. Experience of attracting funds to assist research is desirable.

Salary is within the professorial range, with eligibility for USS, and there is an attractive package to assist with relocation and resettlement expenses.

Further particulars (please quote ref 94/FT) are available from the Personnel Officer, The Queen's University of Belfast, BT7 1NN Northern Ireland (telephone (0232) 245133 ext 3044/3246 or FAX (0232) 324944/310629).

Commited to an Equal Opportunities policy and selection on merit, the University welcomes applications from all sections of the community. Under its affirmative action programme it particularly welcomes applications from women for academic posts. It reserves the right to interview only those applicants who appear, from the information available, to be the most suitable in terms of experience, qualifications and other requirements of the post advertised.

The Queen's University of Belfast

IN CONTROL OF THE FUTURE

Strategic roles in Business Controls

Reading

PRUDENTIAL
Financial Services

Prudential Financial Services devise, market and support a wide range of Life and Pensions products, including PEPS and Unit Trusts. Already a significant player in this market, we continually work to improve our performance in every area of our business, in line with our strategic plans for further growth.

Our newly-established Business Controls function reflects that commitment. This high-profile, influential team will review, assess and prepare reports and recommendations to help the Business Managers establish and maintain financial, operational and technical controls.

We therefore have the following opportunities for forward-thinking professionals with powers of analysis and an ability to produce concise, precise, relevant reports and recommendations. You will need to be action-oriented, with a flexible and enthusiastic approach and the communication skills to build effective relationships within the team and with other colleagues.

Business Controls Review Manager

£35-£44,000 p.a. + Car + BUPA
+ Non-contributory pension

An effective motivator of people, you will lead a small team of professionals to help all business areas build effective internal controls to minimise business risk. This will involve contributing to the development and maintenance of review and control functions.

You should:

- be professionally qualified, ideally in accountancy
- have significant experience of staff and project management in a commercial environment, ideally gained in an insurance or other financial services company
- be able to demonstrate experience in reviewing complex business environments
- be able to assess risk and help areas of business appreciate and eliminate exposures through appropriate procedures
- possess strong presentation and communication skills.

Business Controls Reviewer

£26-£35,000 p.a.
+ Non-contributory pension

You will perform detailed reviews of procedures and systems to ensure that business risks are identified and adequate internal controls are in place, recommending improvement where necessary and working alongside management and staff to implement solutions.

You will:

- have experience of internal control reviews and audits, preferably gained in insurance or other financial services industry
- be professionally qualified, ideally in accountancy
- strong presentation and communication skills
- project management experience.

Business Controls Systems Reviewers

£26-£35,000 p.a.
+ Non-contributory pension

Reflecting our commitment to the continued development and maintenance of IT systems, you will work closely with other control functions within the business to assess IT development methodology, ensure controls are built into systems and undertake reviews of our computer infrastructure, operational systems and systems development.

You will need:

- to be professionally qualified, ideally in computing
- current experience of systems developments and controls
- to have project management experience, gained from development work on mainframes, mid-range and distributed computing applications
- to understand the principles of analysis and development
- preferably experienced in financial services.

To be part of a team dedicated to continual performance improvement, please send a full cv to Jackie Havercroft, Human Resources, Prudential Financial Services, Abbey Gardens, 55 Kings Road, Reading RG1 3AH.

We are an equal opportunities employer.

BBC TELEVISION

BBC Drama Group — *BBC Television*

BBC Drama is a major source of drama output, with productions ranging from ***EastEnders*** to ***Screenplay*** and ***Middlemarch*** to ***The Snapper***. As part of a fundamental reform programme we are currently improving financial reporting and control on our productions by introducing project based accounting systems.

Production Accountants

Experienced Production Accountants are sought to join the department on 6 months to 2 year contracts. They will be responsible for providing effective and practical financial support to the Producer and Associate Producer on a particular production, assisting in the preparation of a detailed production schedule and budget. They will manage the financial systems of the production in line with the policies and practices specified by the producer and the BBC, supporting the Producer in his/her reporting obligations to Drama Group, including the regular submission of recognised statements and other financial reports.

Applicants should have a thorough knowledge and understanding of Television/Film production. They will need a demonstrably high level of numeracy and proven book-keeping skills; the ability to extract trial balances and prepare production accounts in accordance with current accounting principles and the ability to monitor foreign currency expenditure. Experience of computerised accounting systems would be an advantage.

Candidates need to be able to establish effective working relationships with a range of Production and Management staff, demonstrating excellent communication skills including the ability to explain procedures and extract information as necessary.

(Ref: 14998/F)

Cost Controllers

We are seeking a number of Cost Controllers to join the department as soon as possible. These new appointments will be key members of Drama Group's senior management team. They will be responsible for assessing the financial viability of programme ideas and ensuring the maintenance of sound, fair and workable financial arrangements with inhouse and external Producers in order to achieve drama to the timescale and standards of quality as agreed by the Editorial Heads. They will ensure that approved projects are financially managed in the most cost-effective manner throughout the production process.

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FINANCIAL TIMES SURVEY

TURKEY

■ **Ankara and the Middle East: caught between a rock and a hard place** Page 4

Friday April 15 1994

At a watershed in its relations with Europe, the secular republic has been shaken by the election success of an Islam-based party. Turkey is suffering an economic crisis, and the economic promised land is not yet in sight.

John Murray Brown reports

Europe links questioned

Government offices in Antalya display the portrait of Ataturk and a slogan reading "Ne mutlu Türküm diyene" - "Happy is he who can say I'm a Turk" *Richard Waymen*

IN THIS SURVEY

Three little words – "Turkey in Europe" – create *surprising convulsions* among academics whenever they come together to discuss the *subject*. For *many* Turks may feel themselves to be European, but in terms of *geography if nothing else*, Turkey is also an Asian, Middle Eastern, Levantine even a Balkan country.

Today some inhabitants are beginning to question their claims to be European as the country grapples with its worst economic crisis in a decade, a growing Kurdish rebellion and the fall-out from the *electoral* challenge to Turkey's political mainstream of last month's *dramatic gains by the Islamic*-based Refah party (RP).

Ask a Turk today where he *comes from, and his answer is* as likely to be Bosnia or Azerbaijan as Istanbul or Ankara. And this is not a reflection of Turkey's mounting refugee intake. "There are Kurds and non-Kurds" is how one Turkish diplomat described his country's ethnic breakdown – and only half in jest.

The confusion over identity is certainly sharpened by the unhappy experience of the Turkish workers in Germany who have been the subject of extremist attacks. Seeing itself as both European *and Moslem*, Turkey is also outraged by the west's indifference to the suffering of Bosnia, where Turks have links of both history and *kinship*.

However, the real challenge is closer to home. The twin cocktail *of* a Kurdish and Islamic threat is shaking the foundations of the secular *republic carved* from the ruins of the Ottoman Empire.

Turkey has come a long way from the dark days of the military coup in 1980. Some Turks may even feel they are in sight of the economic promised land. However, recent events have dented that self-confidence. If the mounting economic and *political problems are left* untackled, there is a real danger that these could deepen the *sense of self-doubt and give* sustenance to Islamic and nationalist forces, putting in *peril the whole pro-western* thrust of Turkish policy.

Such a prospect is deeply worrying for the west, since Turkey is an important ally and an increasingly big commercial partner. However, it is no longer enough just to be in the right place at the right time. The end of the cold war *has changed strategic priorities*. The US is reviewing its role as it downgrades its military presence *across Europe as* agreed at last year's Nato summit.

Turkey's relations with Europe are also at a critical turning point. Ankara is due to enter a customs union with the European Union next year. However, there must now be *doubts whether the deadline* will be met given the current economic turmoil.

Turkey applied for full membership in 1987 and was politely rejected two years *later. But today there is little* realistic prospect of early accession. Indeed, Turkey is not even considered in the current round of enlargement talks, a point which makes it all the more important that Turkey does not slip up on its customs union commitments.

Diplomats also point out that with the *accession of Nordic* and Scandinavian countries, the European Union is likely to *become more, not less, sensitive* to the issues of human rights, an area where Turkey *has made too little progress. In* February, Turkey's friends in the west looked on in amazement *as parliament* lifted the immunities of six MPs from the radical Kurdish party, five *of whom could now face the* death penalty for publicly espousing the Kurdish cause. *The incident provided a sharp* reminder of the draconian military laws limiting freedom of *speech which are still in place* in a country seeking full EU membership.

Turkey certainly *has little* room for error. In Mrs Tansu Çiller, the country has a youthful and energetic prime minister. However, her political inexperience has been starkly exposed by the ongoing crisis.

The prime *minister's* decision to adopt a hard line towards the Kurds may have a *certain* logic, *since a more* moderate policy might unleash the growing nationalist fer*vour. But Turkey's refusal to* countenance any kind of reform is jeopardising its foreign policy prestige at a time when its ability to influence regional events is greater than *ever. With 4,000 civilians*, soldiers and guerrillas killed last year in a war costing Turkey *an estimated $7bn a year*, the present bloody stalemate cannot be sustained.

On the economy, many blame Mrs Çiller's policies for precipitating the collapse of the currency, which *forced her* to announce the austerity package unveiled earlier this month. *Mrs Çiller still has* to steer through a raft of legislation on privatisation and tax changes to underpin the programme. She also has to accommodate an increasingly vociferous union movement *which feels under threat from* the package. A period of social unrest seems inevitable if the *measures are to be adopted in* full.

In some important respects, the Turkish economy is already diverging from European norms. Inflation is more than *70 per cent*, and will probably rise to more than 100 per cent as the recent price *increases take their* toll. The public sector borrowing requirement is now running at *16 per cent of gross national* product.

Neither the republic – nor *even its private sector* – can go to the international debt markets in the current uncertainty. *Turkey's credit* rating has already been downgraded twice this year by both Moody's and Standard & Poor's. The day when foreign correspondent banks cut off lines of credit is fast approaching.

With basic commodities such as tea and sugar, as well as petrol and household gas prices rising by up to 100 per cent as part of the package, the Turkish public will soon begin to feel the pinch. Workers at the Zonguldak coalworks and the Karabuk steel mills – state companies earmarked for possible closures – are both poised *for industrial action* to protest against the austerity package.

But the view from Brussels *is that Turkey's private sector* can ride out the storm, although with labour being *stood down and production* flat, if not declining, it will certainly be difficult to make the investments required to upgrade technologies so as to compete with European imports.

For the politicians, the danger is that some private sector companies will demand a reprieve from the deadline, which commission officials warn would unravel the whole process.

The government's own task is to see if it can staunch the huge losses suffered by the public sector, without which much of the *real benefits of a* customs union will be dissipated.

A successful *implementation* of the stabilisation measures is vital to restore international *confidence in Turkey's economy*, and in Mrs Çiller's leadership. It is also crucial to ensure that the economic problems do not deepen, thus playing into the hands of Refah, who have successfully projected themselves as patrons of the dispossessed.

For the local election result on March 27 underscores a stark demographic fact. In Istanbul and, equally dramatically, in Ankara, *the RP came to* power backed by the "sans culottes" of Turkey's newly-*spawned big city slums* – much the same section of voters who backed the fascists *and the communists in the* 1970s.

"It's no longer a financial crisis. It's no longer an economic crisis. It's a political crisis," was how one Istanbul banker put it.

The Turks are a long-suffering lot. Faced with such a maelstrom, many less resilient and less phlegmatic societies would probably have cracked under the strain. Yet for Turkey to survive the crisis, the government must grasp the nettle of reform.

The economy faces a tough year ahead, reports **John Murray Brown**

Austerity deal poses test for Çiller

The bubble seems finally to have burst. After two months with the currency all at sea, Turkey's conservative-led coalition has been forced to batten down the hatches and administer a major stabilisation programme which, if implemented in full, would be the most comprehensive restructuring since the now infamous January 24 package of 1980.

With the lira still reeling despite overnight rates at one point as high as 1,000 per cent, the government abandoned its attempts to prop up the currency and faced up to the inevitable.

The jury is probably still out on the merits of the austerity package unveiled on April 5 by Mrs Tansu Çiller, the prime minister, but there is little doubt that 1994 is going to be a tough year for a nation which has long been accustomed to buoyant growth rates.

The political constraints will be considerable. Mrs Çiller's junior coalition partners, the Social Democratic Populists, although endorsing the package publicly, are known to be unhappy about certain of its clauses – particularly as regards privatisation. The main opposition Motherland party, ANP, may also initially prove truculent, although western diplomats point out that Mr Mesut Yilmaz, the Anap leader, could win some credit for supporting the programme if it succeeds, while distancing himself sufficiently if it comes a cropper.

The package comprises two parts – stabilisation measures such as price increases on government-controlled commodities, an investment freeze and one-off tax charges on the rich, and the longer-term structural measures such as privatisation and closures and reform of the state farm support system. Mrs Çiller has for the first time introduced an explicit fiscal target, which in the first three months envisages a TL38,000bn reduction in the budget deficit through cost savings and increased revenues.

In parallel with the fiscal programme, the central bank is to introduce a new monetary programme. These measures are underpinned by moves to strengthen the bank, increasing its autonomy and reducing the extent to which it has to fund the budget.

The only way to make large cuts in public expenditures is through cuts in capital investment

How Mrs Çiller meets the targets remains to be seen. In the short term the only way to make large cuts in public expenditures – barring a wages freeze on which the prime minister remains a little vague – is through cuts in capital investment in projects. In addition, a substantial slice of legislation, affecting individual state enterprises and the tax changes, together with the changes in the central bank law, has still to be passed by parliament.

Mrs Çiller remains adamant that the growth rate will not be imperilled by the harsh stabilisation measures. "The economy will not stop," she said on state television when unveiling the package. Most economists beg to differ.

The recession is already taking effect. Even before the announcement of the large increases in petrol prices as part of the package, Turkey's car production ground to a near-standstill. Consumer demand is set to dry up as spending power is eroded by the rapid devaluation. This may take some heat out of the inflation rate, which is expected to rise sharply over the next three months as the impact of the price increases starts to be felt.

This will inevitably have a dramatic effect on living standards, particularly for manual employees. The recession could be very painful for cyclical industries such as cement and construction services, says Mr Emre Yigit, head of research at Global Securities. The banking sector has been devastated by the collapse of the lira, with many banks caught holding lira assets in form of lending to Turkish companies while most of their liabilities are in foreign currency.

The "dollarisation" of the Turkish economy has been one of the more alarming developments of recent years. Today half of the total deposit base is in foreign currency. In a recent, much-reported case, a woman seeking a divorce from her husband insisted in court that the settlement should be in dollars. Civil servants rush to the banks and foreign exchange shops to unload their lira.

Public desire for dollars reflects a deeper concern about economic management and the condition of public finances. Mrs Çiller has still to demonstrate that she can rectify the situation.

Pressure has been building for some time. In 1993, the economy was already showing signs of overheating – in the second quarter the economy grew by 12 per cent. The growth was fuelled by the rise in imports financed by increased foreign borrowing, much of it short-term by Turkish commercial banks. The result was a record high trade account deficit reaching $14bn by the end of 1993.

The need to finance the current account is one explanation for the sudden jump in Turkey's foreign indebtedness in 1993. Total debt reached $66bn by the end of the year after a spate of bond issues as the Treasury sought to avoid borrowing from the domestic markets, where high interest costs represented an increasing burden on the budget. The availability of foreign credits also allowed the Treasury to restructure its domestic debt by lengthening the maturities.

For the commercial banks, there was also a large increase in short-term foreign funding. Given the differential between domestic interest rates and inflation, Turkish banks have long been used to funding their loan book through offshore borrowing.

The demand for dollars is also trade-driven, as Turkish exporters increased market share. The situation was sustainable as long as there remained confidence in the lira. However as soon as that collapsed, more and more people wanted to hold their savings in dollars.

The banks were left in a vicious circle, having to find assets to match the increase in dollar liabilities. With banks allowed only to lend limited amounts to a list of registered trade companies, they were left with few options but to lend the deposits as lira loans. The resultant erosion of these assets merely forced banks to raise domestic bank rates to compensate.

With the currency continuing to suffer the jitters, it is clear that Mrs Çiller must move swiftly to convince the markets. Turkey's foreign debt has been downgraded by both Moody's and Standard & Poor's twice since the start of the year. The government's freedom to borrow will almost certainly be more constrained.

The government's freedom to borrow will almost certainly be more constrained

The international bond market for less developed countries such as Turkey has already become more difficult after what appears to have been the turnaround in US rates. Turkey was forced to "pull" a $750m global bond in March. Plans to float bonds in the state telephone monopoly, convertible into shares in the underlying company assets, will in all probability suffer the same fate.

The global bond was meant to set a benchmark for the PTT issue, although many bankers expressed scepticism about whether the deal could work given the fact that the PTT's privatisation remains blocked by the courts.

Evidence of the mounting liquidity crisis was there for everyone to see throughout 1993 with the government rescheduling payments to contractors, and with the Treasury's public finance department living hand to mouth to meet the next civil servants' salary payout or interest payments on the country's foreign debt.

A telling sign of the impending difficulties came on March 21 when the Public Participation Administration (PPA), the state agency in charge of privatisation, came close to defaulting on some $400m worth of revenue-sharing certificates, after the Treasury refused to extend the amounts to the PPA. As a result, the agency had to go to interbank markets for $200m.

The certificates are two-year bonds issued by the PPA in lieu of payments to road contractors. The bonds were denominated in lira but indexed to foreign exchange. It remains a moot point whether the bonds are considered a foreign or a domestic liability, but the momentary panic among the banks holding the paper was an early warning of the problems to come.

Against this background, the local elections were like a self-imposed deadline with the government wary of introducing radical measures before the polls, while making it clear to its foreign audience that it intended to move swiftly once the result was in.

The government's credibility is clearly on the line. It is now left to the prime minister and her new Treasury under-secretary, Mr Osman Birsen, to prove that this time they mean business.

Election setbacks for the main parties may lead to political realignment

A shock for the secularists

Last month's municipal elections may well prove *to have been a watershed* in Turkish politics.

The historic victory of the Islamic-based Refah party (RP), both in Istanbul, the largest city and in Ankara, the capital, has shattered the cosy complacency of the secularist establishment. The continuing collapse of the leftwing vote, with the three centre-left parties together polling little more than 25 per cent, has further underlined the point.

What was also alarming for Turkey's western friends was the growing popularity of the neo-fascist Nationalist Action party (MHP) which polled 8.8 per cent, more than trebled its 1989 vote and took control in several municipalities in eastern Turkey.

Mrs Tansu Çiller's True Path (DYP)party won the election by a slither from its rightwing rival, the Motherland party of Mesut Yilmaz. But it was the Islamic vote that caused the stir. With just one shift in the prism, a deep shadow has been cast over Turkey's political scene.

Some Turks are putting a brave face on developments. The result, they say, will act as a catalyst for a long-overdue realignment of Turkey's fractured political landscape – on both right and left. A more alarming analysis is that this marks Islam's political coming of age, an event which could change the whole course of Turkey's pro-western democratic development.

The RP has control of 28 of the country's 76 city councils, prompting Mr Nemettin Erbakan, its leader, to boast that 66 per cent of the population will now be under his party's administration. The party's performance, doubling its vote over local polls in 1989, is likely to have a considerable fall-out. Mainstream parties will be forced to reappraise their strategies.

The army, as the self-appointed guardian of Turkey's secular pro-western identity, will be watching events with particularly close interest. Turkey's western allies will be asking if the country is going the way of Algeria, where Islamic extremists seemed poised to take power by the ballot box until the army intervened to suspend the elections and arrest the activists.

Could extremists take power by the ballot box unless the army steps in?

From Turkey's mainstream parties, a variety of responses seems possible. Firstly, the splintering of traditional voting patterns is certain to revive the debate about the need for electoral reform, to counter the Islamic challenge.

After all, as many secular Turks will point out, the RP only polled 18 per cent of the national vote, coming third, yet took control of more city councils than both the DYP and Anap put together. This fact alone may force the right wing to reconsider the logic of a merger.

Electoral reform would, of course, require a two-thirds majority in the 450-member parliament. Judging from the lack of consensus on most legislative issues to date, this may be hard to achieve.

One option is to introduce a two-tier system, modelled on the French system. The Turks have already tinkered endlessly with the current arrangement, most recently in 1991, when the then Anap government introduced changes in the barrage system to discourage fringe and regional parties. To look at the line-up for last month's local polls, the safety mechanism would appear to have come undone.

The proliferation of parties is bewildering. In all, the Turkish electorate had to choose between 12 parties, encompassing centre, right and left, social democrat, and the extremes of neo-fascists, Socialists and Islamic radicals. The notable absentee was the Kurdish based Democracy Party, DEP. Its withdrawal from the election was in some part responsible for RP's strong showing in the Kurdish-speaking south-east.

In Turkey party distinctions often appear highly artificial, and frequently have more to do with personality than policy, something which is particularly true of DYP. For more than three decades the DYP and its former incarnation, the Justice Party, has been in the gift of one man, Suleyman Demirel.

It was Mr Demirel's bitter rivalry with his one-time economics adviser, Turgut Ozal, the former president and Anap founder, which kept the parties apart. With Mr Demirel's accession to the presidency last June and Mrs Tansu Çiller's emergence as DYP leader, many commentators are wondering whether the way is now open for a merger on the right.

The election will have created even more urgency. The RP has stolen votes from DYP and Anap, both of which once represented a broad church, a fusion of the strands that make up the rightwing vote in Turkey from Islamic conservatives, to hardline nationalists and *laissez-faire* liberal progressives.

Another possibility is that both conservative parties will ignore the logic of creating a merger and merely move to the right in a bid to accommodate the Islamic vote and undercut the RP.

The prospect of a merger of left-of-centre parties seems more distant. All the parties – the SHP, the Republican People's party (CHP), and the Democratic Left party (DSP) of former prime minister Bulent Evevit – claim to be the true torch-bearers for the secular reforms introduced by Turkey's founder, Mustafa Kemal Ataturk, after he abolished the caliphate.

The SHP, with more to lose after its sweeping win in 1989, took a particularly severe drubbing, losing Izmir and Adana, in addition to Istanbul and Ankara. The DSP polled just 8 per cent nationally while the CHP managed only 4 per cent.

Whatever happens, the long-term survival of the current coalition must be in doubt. At a personal level, Mrs Çiller, the DYP prime minister, has little in common with Mr Murat Karayalcin, the leader of the secularist SHP.

The coalition appears to have outlasted its usefulness. For one thing, the alliance had nothing to do with the current leaders of the respective parties. It was largely the creation of Mr Demirel and Prof Erdal Inonu, the former deputy prime minister who stepped down as head of SHP in November, paving the way for Mr Karayalcin's election.

Divisions over policy – whether it is the Kurds, the economy, or the place of Islam in society – have strained an already uneasy cohabitation. Ironically, the one issue where the SHP stood its ground was over the draft for the new anti-terror draft law. In this case, negotiations broke down over DYP's refusal to include crimes against the secular nature of the state as treasonable. Both parties were in agreement over the hardline remedy for separatist offences.

The divisions are certain to widen. Mrs Çiller has already issued what amounted to an open invitation to Mr Yilmaz to start merger talks. However the immediate question is how will Mrs Çiller accommodate the Anap leader. More than most of the mainstream party leaders, the clever but humourless Mr Yilmaz has been badly wounded by the election results. But given the state of the economy, he may be reluctant to join forces, fearing to get tarred with the same brush as Mrs Çiller.

Istanbul has proved a graveyard for many parties' reputations

Municipal polls, of course, have no direct bearing on party strengths in parliament, although according to one expert, the RP vote would translate into around 150 seats in parliament at the next general election. The party currently has 40 MPs.

Much will depend on how well the RP does in managing the affairs of Istanbul, a city which has proved a notorious graveyard for the reputations of many parties – most recently the outgoing SHP administration.

The central government's ability to make life difficult is not inconsiderable. New cash constraints can be imposed. The near-bankruptcy of many administrations today can be traced to the face that many were forced to borrow, some on international markets, with the result that municipalities are today facing severe ongoing debt service problems.

If RP comes unstuck, Turkish voters are unlikely to turn out in their droves at a general election for a party that cannot put water in Istanbul's taps or keep Ankara's municipal rubbish dumps at a safe distance from the city centre.

John Murray Brown

Kurdish women at work in the cotton fields in south-east Turkey

Caroline Penn

■ FOREIGN POLICY

The region's reluctant activist

Few areas of the world have seen such dramatic change. From the collapse of communism, to the emergence of the new Black Sea states, and now to the historic endgame being played out in the Middle East, there appears to have been in almost permanent state of flux in the region round Turkey.

It is not hard to find Turks today who long to recreate the cold war when the country was a stalwart flank of western defences. Turkey's position at the cross-roads of Europe and Asia means it still commands a key importance. However for Turkey, such strategic certainties are a thing of the past. The Moslem world's only Nato member is today groping for a new identity, to build onto and complement the traditional twin pillars of its foreign policy – its security relations with the US and its deepening political and economic ties with its partners in Europe.

The result is that for the first time since the birth of the republic in the 1920s, Turkey is starting to play a decisive, if somewhat reluctant, role in its immediate neighbourhood – in the Balkans, in the conflict in the Caucasus, and not least in north Iraq.

Devising a comprehensive policy framework for such a patchwork of relations presents special problems. Firstly, many of the bordering states were once part of the Ottoman empire and carry with them the natural suspicions of former subjects. In North Iraq, the Kurdish question presents a particular challenge given Turkey's own large and troubled Kurdish minority.

There is also the problem that Turkey, however much it tries to project a regional policy, is all too often seen as siding with its co-religionists. Related to this is the danger that policy is too often driven by the pressures of public opinion. The bloody events in Bosnia-Hercegovina and to a lesser extent in Azerbaijan's conflict with ethnic Armenian forces in Nagorno Karabagh have caused the sort of popular outrage not seen since the intercommunal violence in Cyprus which eventually prompted the Turks to invade in 1974.

Given such a background, western diplomats believe Turkish policy has been both cautious and realistic. There are nonetheless a number of clear policy objectives. With the increasing volatility of regional politics, it is no longer possible to adopt the sort of benign neglect which once characterised Turkey's stance to its neighbours.

With the end of the cold war, and the preoccupations of the Europeans with their own internal wrangling, Turkey needed a new role. Saddam Hussein's invasion of Kuwait seemed to throw up the bit part Turkey wanted. Thrust by geography, into supporting the allied war effort, the Gulf conflict seemed like a defining moment in Turkey's relations with the west. Today a more cynical appraisal is heard as Turks complain of the economic costs and the vital dangers posed by the creation of the Kurdish entity in north Iraq.

Turkey's relations with the former Soviet satellites presented equal difficulites. However, the creation of the Black Sea economic agreement did much to convince these new friends that they were not just exchanging one form of domination for another. Relations with the Arab world will continue to be tempered by colonial grievances and strategic calculations relating to Turkey's control of much of the region's water. Yet even here, Turkey has made efforts to forge ties, particularly economic ties, and is actively supporting US efforts to solve the Arab-Israeli conflict.

More broadly, the real test has been how to match Turkey's security concerns with those of its western allies. As the ongoing disagreement over Bosnia has shown, these interests do not always coincide.

As a Moslem country, which sees itself as European, Turkey can hardly stand idly by

In the Balkans, Turkey's policy goals are particularly complex. On one level, there is the security concern that the crisis could suck in other regional countries – Greece, Albania and perhaps Bulgaria, which would bring the conflict much closer to Turkey's borders.

The popular perception is that the west's inaction is part of a bid to rid Europe of its Moslem populations. As a Moslem country, which sees itself as European, Turkey can hardly stand idly by. At a popular level the crisis has served to highlight what is perceived as western double standards towards the Moslem world, and has inevitably fed the resentment that many Turks feel towards their European "friends".

What is needed is a policy framework that is both consistent and comprehensive. In late 1992, Turkey played host to a conference in Istanbul, attended by almost all the regional countries to the Yugoslav conflict. By so doing, Turkey staked its own claim to be considered as a Balkan country. It also implicitly rejected the notion that a solution to the conflict could be found only through the good offices of international bodies such as the United Nations and the European Union.

Today the international community appears to have inched round to Turkey's long-held view that Serbian aggression has to be met with force. However, in Ankara this is little cause for satisfaction. Too much innocent blood has already been shed.

For Turkey, the threat of the "spill-over" from the Bosnian war is not simply a theoretical question; it is a matter of vital national interest. The country's anger at the west's failure to stop the slaughter is all the more acute given that Turkey, as a Nato member, is nominally a party to that western inaction.

"The approach of the EU from the start has been how to divide Bosnia-Hercegovina into three. We believe the EU has never tried to maintain an integral Bosnia-Hercegovina. This is not justice for Bosnia," says one senior Turkish official.

With some feeling he describes the London conference hosted by Mr John Major, Britain's prime minister, as "mere window dressing". He is equally forthright about the Geneva peace process. "We are no part of that plan. All it has achieved is to prolong the fighting."

The Turks are bitter for a number of reasons. As a former Ottoman dependency, Turkey feels a moral responsibility to Bosnia. At home, this sense of kinship is heightened by the presence of a 2m strong Bosnak community – Moslem Slavs who settled in Turkey in the early 1890s when the territory was annexed by the forces of the Austro-Hungarian empire.

Moreover, having recognised the independence of Bosnia, the Turks insist that the international community is morally bound to help preserve the integrity of the republic's borders.

Upholding the sanctity of borders is in many ways the guiding principle of Turkish foreign policy, whether in underpinning its arguments in Bosnia or in the Caucasus or in its own refusal to concede the need for a more flexible line on Kurdish demands for autonomy. However, sticking to this principle places Turkey in a potentially awkward dilemma, particularly if the conflict spreads to Kosovo, where Turkey would have to decide on the "rights" of the ethnic Albanians who make up 90 per cent of this formerly autonomous Serbian province.

Taking a longer view of the Bosnian crisis, Ankara is all too aware that the tragedy could be taken up by the more Moslem radical states, jeopardising Turkey's influence within the Islamic movement. Mr Hikmet Cetin, Turkey's foreign minister, has frequently voiced his fear that the tragedy in Bosnia could become the focus in the future for an outbreak of international terrorism against western interests.

On more than one occasion, Turkey has felt uncomfortably out of step with its allies – the west's refusal to lift the arms embargo to allow the Bosnian Moslems to defend themselves being the most clear-cut example.

The long-term danger is that by increasing Turkey's sense of rejection, it will merely play into the hands of anti-western Islamic interests. The west's perceived double standard towards the tragedy in Bosnia, if not the overriding cause, was definitely a contributing factor behind the dramatic gains made the Moslem-backed Refah party in last month's local elections.

John Murray Brown

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Industry's needs are not being met, writes **Anne Counsell**

Education: must try harder

Academics and educationists award Turkey's state education system good marks for effort, but lower grades for an inconsistent approach, lack of qualified teaching staff and patchy provision of facilities.

Mirroring the political swings and roundabouts, there have been 63 ministers of education in 70 years, each making a mark by overhauling, reversing, amending or merely tweaking the system.

Nevertheless, there have been strides in improving the literacy rate from only 10 per cent 50 years ago to 80.7 per cent in 1990. There are, however, marked differences between the literacy rates of men and women, the young and the elderly as well as in urban and rural areas.

The development of educational facilities has been constrained by population growth, migration and urbanisation. Widespread birth control slowed the birth rate from 2.49 per cent in the late 1980s to 2.0 per cent in 1990, which is still high in European terms. Thirty-five per cent of the population is under 15 years of age. The age distribution pattern has led to high unemployment rates among young people with nearly 65 per cent of the jobless aged between 22 and 29 years old.

Family size is declining in higher income families, but rural families are still large. The south-east has the highest population growth in the country, which is politically significant as most people in these areas are Kurdish.

There are double shifts at urban schools while the villages have been emptied of pupils

School building programmes have sometimes lagged behind the rapid urbanisation, leading to double shifts at some urban schools while those in the villages have been emptied of pupils. In the cities population is growing by 4.5 to 6 per cent a year, amounting in 1990 to 61.3 per cent of the country's total.

Spending on education devoured 19.2 per cent of the budget in 1990, second only to general public services at 25.2 per cent, and more than defence at 11.7 per cent. The cost of compulsory education between the ages of six and 14 is borne by the state, but parents are expected to contribute towards the cost of books or additional facilities – so that the poorer areas, which are in the most need, fall further behind.

Turkey's educational system of primary, middle, general and vocational high schools and universities, has a declining enrolment rate from one stage to the next. Efforts are being made to provide easy transfer between vocational, technical and general secondary programmes and to tailor education to developments in industry. "We have a big hole in the middle," says Professor Mehmet Sağlam, president of Yök, the Higher Education Council. "There are more than enough good engineers, but far too few able technicians."

The ministry of national education concedes that "it has not been possible to reach the planned targets to train the needed manpower". Repeated calls for more technical and vocational schools at the secondary level have been heeded by Mr Nevzat Ayaz, the minister of education, who has been promoting the recognition of "skills" through apprenticeships, industrial placements and adult education.

The chasm between education and the needs of commerce and industry has become acute in many sectors. Last year, the Turkish Maritime Educational Foundation (TDEV) campaigned to raise $8m to improve officer training. Citing a disparity between growth in the merchant fleet and education, the foundation said the training bottleneck hampered efforts to increase tonnage and Turkey's share in the shipping market.

The TDEV succeeded in securing private and government funds for classrooms and facilities while the Merchant Marine Academy, run by the Istanbul Technical University, replaced its four-year course with a 2½-year sandwich course, leading to an expected 200 deck and engine-room officers graduating from the college every year, double the present number.

In higher education, there is stiff competition for university places. Out of 1m applicants, only a third secured a place last year, despite annual intake increases and the creation of new universities. From only 19 universities in 1982, there has been a threefold increase to 57, of which four are private, while student capacity has risen from 49,000 to 173,000. As a result, there is a lack of qualified lecturers and academic staff and the student to lecturer ratio has grown rapidly.

In stark contrast to the austere, Dickensian state universities, the recently established private universities are bright and dynamic. Bilkent University, modelled on private research universities in the US, is epitomised by its energetic rector, Mr Ali Doğramaci. Its rapidly expanding campus, where all the teaching is in English, is funded through a foundation comprising an array of companies from printing plants to furniture producers, which also act as suppliers to the campus.

A classroom at the Ataturk high school in Ankara — Terry Kirk

Yök was established in 1982 as a co-ordinating and policy making body to develop Turkey's higher education system. Under its umbrella, the Inter-University Committee is responsible for improving standards and supervising research, higher degrees and other academic matters. Members of the council and the committee are predominantly drawn from academia, with one third of the 21 seats appointed by the government.

There remains a deep-seated suspicion over the role of Yök among those who believe it is a hangover from the military coup of 1980 when right and leftwing activism was rampant at the universities. But this is countered by Prof Sağlam who stresses the education council's academic credentials and its metamorphosis since its formation.

The universities are conscientiously apolitical; neither faculty members nor students are permitted to be active members of political parties. As Seyfi, a student at the technical university in Istanbul says: "We are here to be technical, not political."

The universities, however, cannot isolate themselves from the current debate over Kemalist doctrines, democracy and the secular nature of the republic. Although out of the headlines, the issue of whether women should wear headscarves on campus remains. Turkey's secular constitution tolerates the expression of religious beliefs but draws the line at open identification with the principles of an Islamic state. The universities are at odds over when a woman's insistence on covering her head becomes a political statement.

John Murray Brown on the army's role in political life

Prestige goes on the line

When Necip Torumtay resigned at the height of the Gulf War as head of the Turkish armed forces in 1990, he issued a statement alluding obliquely to a "matter of principle". It was never clear what exactly the principle was. The Turkish press, nonetheless, applauded the general's action.

A comparable incident, of a military chief walking out over a disagreement with an elected government, would be hard to find in most western democracies, except perhaps in France in the 1960s during the army's challenge to President de Gaulle over his Algerian policy.

But Turkey is, of course, a little different. And its army has always enjoyed a special place as the self-appointed guardian of the country's democracy and its secular traditions. However, even here in a society which retains a deep affection for its soldiers, there are signs that things are changing.

The process of transformation goes deeper than a simple internal debate about military strategy to cope with the post-cold war realities. It has an impact on doctrine, on the composition of the army and its equipment, and the role of the army in Turkish society.

For the complex strands that make up modern Turkey, whether the growing Islamic consciousness, or the tension between modernism and tradition, almost certainly have their mirror image in the messrooms of Turkey's armed forces.

Turkey has the second largest army in Nato, after the US. In all, the Turkish armed forces comprise 560,000 troops and the army can call on a further 1m reservists. The budget, agreed by parliament, was around $5.4bn in 1994, equivalent to 10.5 per cent of the national budget.

A vetting system prevents the armed forces from being infected by Islamic extremism

There are a number of other sources, including money from the Defence Industry Support Fund and the Foreign Military Sales from the US. In addition, the Armed Forces Pension Fund (Oyak) has assets in a car assembler (together with Renault of France), in several cement companies and, most recently, a majority stake in an Istanbul trade finance bank.

The restructuring of the armed forces' inventory has two elements – to upgrade the technology and to streamline sources of supplies. In line with this, the F-16 fighter aircraft assembler plant at Murted outside Ankara is being beefed up. The programme is winning support under the $4bn Gulf Defence Fund, set up under US sponsorship in the wake of Kuwait's liberation to utilise Saudi and other Arab finance to strengthen Turkey's defence industry.

The need to beef up the fire power of Turkey's armed forces and enhance its mobility has been the subject of countless Nato studies. However the TV pictures of US smart technology deployed against Iraq shocked the military top brass, and highlighted the limitations of Turkey's armed forces and their reliance on out-of-date western hand-me-downs.

The technological debate about hardware has given new impetus to those calling for the abandonment of conscription in place of a more professional corps. In Turkey military service has traditionally been a form of remedial education for many of those from poorer homes. It has also inculcated a sense of patriotism, and imbued generations of young Turks with the tenets of the social and political reforms instituted by Mustafa Kemal Ataturk, the founder of the republic. As Mehmet Ali Birand in his book, "Shirts of Steel", makes clear, a stint of military service also does wonders for the calorie count of the average Turkish farmboy.

There is, on one level, the tension between the goals of a conscript army and those of a professional corps. There is also the inevitable tension between "laicism" and Islam. In this context, the army has refused to allow children from the Imam schools into military academies and continues to operate a fairly rigorous system of vetting to prevent the armed forces from being infected by Islamic extremism.

An army patrol in Diyarbakir, Kurdistan, in south-east Turkey — Richard Wayman

More dramatically, there are telling signs that the army's appeal and its prestige may be waning. A few years ago, the idea that Turks would actively seek to get out of military service was unthinkable. Today draft dodging, US-style, is an increasingly common phenomenon, as people try to avoid being sent to the conflict in the south-east. Newspapers have taken a certain glee in exposing the fact that the current chief of staff's son is shirking military service. The army is not happy about it, of course. When Mehmet Ali Birand used the topic as a subject for his current affairs programme, 32nd Day, he was hauled before a military tribunal and two of his journalists were charged.

The make-up of the regular Turkish army – the graduates from the military academies rather than the conscripts – is changing, too. The intake are no longer the products of the ruling elite as in Ottoman times. The social composition reflects the changes in society at large. Indeed, western defence experts believe the current class are more often the sons of non-commissioned officers rather than of generals and colonels. For many Turks, particularly from poorer backgrounds, an army career provides upward mobility and an escape from the backwardness of rural life.

On the other hand, today's officers seem more ideologically hidebound to Kemalist ideas. Birand's book on the Turkish army points out that the Kemalist curricula actually increased sharply in response to the 1980 coup d'etat.

Often, this has manifested itself as condescension towards the elected politicians, who are perceived as unreliable, inconsistent and too eager for popularity.

There is also a feeling that national defence policy is too important to be left to the civilian politicians. Despite returning the country to democracy in 1983, the military is still at the centre of Turkish political life. The constitution gives the army extensive powers. The army chief is subservient only to the president. The defence minister has little sway. General Dogan Gures, Turkey's chief of staff, must be the nation's most photographed personality, usually captured standing alongside Mrs Tansu Çiller, the prime minister.

At the centre of the problem is the tension between an army which is militarily effective and one which is politically reliable. The history of the three military interventions between 1960 and 1980 gives the debate added poignancy.

Anne Counsell on Ankara's predicament in the conflicts of the Middle East

Caught between a rock and a hard place

Intently gazing westwards towards Europe in the hope of economic and political engagement, Turkey remains constantly mindful of its geographic location, regional importance and fractious neighbours.

It is therefore somewhat piqued that the west appears less than sympathetic to Ankara's predicament as an "interface" with the Middle East, quite apart from other complicating factors arising from its position abutting Central Asia and the Balkans.

"We are caught between a rock and a hard place," says a foreign ministry official, mildly rebuking the western notion of Turkey as an area of calm in a troubled sea. Additionally, the place and relative weight of Turkey in US and European foreign policies on the Middle East is a source of both hurt pride and confusion for Ankara, which senses an often-arbitrary treatment of Turkey's "special position".

Associate membership of the Western European Union (WEU) is cited as an illustration of a perceived failure of co-operation with Europe, for it gives Turkey a seat at the table but with no guarantees.

As well, Turkey is resigned to a prolonged – if not futile – wait for membership of the EU, and has felt slighted as Nordic and east European countries leap-frog the queue.

There is a strong, although understated, displeasure that Turkey is considered merely a buffer between Europe and the Middle East rather than a true friend. This sentiment has gained ground as the country continues to experience the sharp end of the United Nations embargo against Iraq following the Gulf War.

"The Gulf War was not between Iraq and Kuwait and Turkey," said Mr Hikmet Cetin, the Turkish foreign minister late last year. "But now everyone is gone and Turkey is being penalised."

This message was taken up by Turkish prime minister, Mrs Tansu Çiller, during a recent visit to Washington where she emphasised Turkey's economic losses resulting from the continued closure of the 986km pipeline running from the Iraqi oilfields of Kirkuk to Turkey's southern coast. It has not been used since August 1990 when Turkey turned off the tap in compliance with the UN trade embargo against Iraq. About 7m barrels of crude is trapped in the pipeline, of which 3.2m belong to Turkey.

Mrs Çiller put the total cost to Turkey at around $20bn, including direct revenue and royalties losses of $2bn annually. Indirect losses include the halt in supplies of cheap petroleum for domestic consumption, the steep fall in tourist numbers, pipeline construction costs and outstanding trade debts. In addition, mounting unemployment in the south-east has, in turn, created further economic difficulties and exacerbated problems of migration and terrorism.

The pipeline also faces corrosion as well as attack from Kurdish groups. Turkey wants the pipeline emptied of oil and made ready for immediate use once the embargo is lifted. It has suggested a framework for doing this in co-operation with Iraq. This scheme was politely turned down by the US, which said it could only be done within existing UN Security Council resolutions.

Turkey is feeling the sharp end of the UN embargo after the Gulf War with the continued closure of the 986km pipeline from the Iraqi oilfields of Kirkuk

To add insult to injury, the UN sanctions committee has allowed Iraq to export 50,000 barrels a day of crude and 20,000 b/d of fuel oil to Jordan because of the kingdom's economic difficulties. "Which side was Jordan on in the Gulf War?" asked a senior Turkish official pointedly, adding that Turkey had followed the western line to its own detriment.

There are indications that Turkey is reshaping its Middle East policy. It is assuming a higher profile in Arab-Israeli relations, Iraq and in finding a solution to the region's water problems. At the same time Ankara is taking account of its domestic situation – in particular the cross-border activities of the Kurdistan Workers Party (PKK) – but it is also toeing the West's diplomatic line.

Turkey has conveyed to the US its view that Ankara should resume a "business as usual" approach with Baghdad. This does not entirely complement the US State Department's declared dual containment policy towards Iraq and Iran and the strong US line precludes Turkey from developing normal ties with either. It is an uneasy position for Turkey, which views PKK containment as more vital than the US concern of ensuring that Tehran and Baghdad do not obtain nuclear weapons.

The Kurdish issue is intrinsic to Turkish foreign policy. There are significant Kurdish populations in Syria, Iran and Iraq, a factor which intermittently swings from being a binding force between the littoral states to a source of tension and disagreement.

Relations between Turkey and its Arab neighbours have increasingly been governed by the Kurdish issue. Ankara is opposed to an independent Kurdish state but holds out the possibility of an autonomous area in northern Iraq if the people wish to return to 1974 autonomy or some other form of self-government.

The location of PKK resistance groups in northern Iraq is a source of constant antagonism to Ankara. In January, more than 50 F16 and F4 Turkish jets attacked the PKK base at Zola on Iraq's border with Iran. The attack may have been carried out with the help of Iran, which closed escape routes.

Aware that good relations hinge on control over PKK cells, Turkey and Iran have improved co-operation on security matters. Iran's main worry is the Iraq-based Mujahedeen Khalq group, which has also been active in Turkey.

Turkey's main "misunderstanding" with Syria also centres on the PKK. Ankara has stated it cannot accept "state terrorism" and cross-border PKK activities remain a sticky issue despite Syrian measures against PKK bases in Beka'a, forcing the closure of camps, which were relocated to Zola.

The issue is complicated by disputes over the Southeastern Anatolian Project (Gap) for irrigation and dam development. Syria has been known to increase support for the PKK if it thinks Turkey is being inflexible over the water issue whilst Turkish officials maintain that water rights are not to be negotiated as a trade-off against the PKK.

Under a 1987 protocol, Turkey agreed a supply of 500 cubic metres per second until the completion of the Ataturk dam. The reservoir has been filled but without agreement on "allocation".

Ironically, Syria is negotiating the purchase of electricity generated from the dam it vociferously condemned. This deal may precede the long-vaunted idea of a Middle-Eastern power grid in concert with Jordan, Egypt, and Iraq.

Syria's territorial claims over the Turkish province of Hatay in southern Turkey are largely in abeyance, for now. Large maps of "Greater Syria" which jostle for wall space with portraits of Hafez Al Assad's in Syrian government offices, have more of a sentimental than cartographical value.

The relative thaw in Turkey's ties with its Arab neighbours is somewhat of a diplomatic coup but it is muted by Ankara's awareness that the Baathist regimes in both Syria and Iraq have long exhibited antipathy towards Turkey and that Iran is distrustful of Turkey's secular, western approach.

Historically, relations between Turkey and its Arab neighbours have been clouded by the conflict between the ideas represented by Arab nationalism and those of the Ottoman empire. Turks felt betrayed by the Arabs after WW1 while Arabs have long considered Turkey a less-than-benign colonial power which strangled its Arab provinces during the Ottoman empire.

Turkey's policy objectives in Central Asia have been limited by its desire not be seen as a "counter balance" to Iran. Turkey and Iran are of a similar size and population and both have an ethnic mosaic of Azeri Turks, Turkomans, Arabs. Whilst Iran's Shi'a structures have unified minorities who suffered repression under the Shah, Turkey's secularism and comparative tolerance are an anathema to Tehran.

There is speculation that Iran and Saudi Arabia may be funding mosques and educational foundations which could assist the rise of Turkey's Islamic movement. The Alevi minority, a Turkish version of Shi'ism, remains a simmering issue with Iran and there are intermittent clashes between the orthodox Sunni Muslims and the Alevis, about 15-20 per cent of Turks, mostly in the centre and east of the country.

The official emphasis is on economic ties. Turkey and Iran have also been discussing the extension of a pipeline to carry natural gas from Turkmenistan to Europe and the proposed construction of another pipeline to carry Iranian natural gas to Europe through Turkey. Also, Turkey has shown interest in buying Iranian crude in return for Turkish goods and services.

Of late, there has been a flurry of activity between Turkish and Israeli officials, accompanied by warm, even gushing, tributes. Turkey, which has long taken an even-handed approach to both Israel and the Palestine Liberation Organisation, has upgraded its relations with both following progress in the Middle East peace process and has committed $52m in exports credits and cash for the West Bank if a peace accord is reached.

There has been a flurry of activity between Turkish and Israeli officials, accompanied by gushing tributes and a three-way tourism pact with Egypt

Turkey was one of the first countries to recognise the state of Israel, and has maintained ties since 1949, balancing this with support for the committee of Palestinian rights and recognition of the state of Palestine declared by the PLO in 1988.

Ankara has been involved in five multilateral working groups on the peace process, although it was largely a spectator in the initial proceedings.

Turkey's ambition to construct a peace pipeline carrying water to Jordan, the West Bank and Lebanon remains on hold owing to questions of cost effectiveness – desalination of sea water is presently a cheaper option.

A pilot project is also under way to ship drinking water from the Manavgat river near Antalya on the Mediterranean coast by sea to Israel, using large plastic "bags".

Relations with Israel gained momentum with the visit of Israeli president Ezer Weizman in January. A host of agreements from double-taxation to trade were initialled including a three-way tourism pact between Turkey, Israel and Egypt.

Co-operation with Israel on terrorism, however, was not rapturously received. When Mr Cetin visited Jerusalem last year, Israeli officials avoided a commitment to provide intelligence or take joint action against Kurdish rebel bases.

During his visit, Mr Weizman said: "Turkey talks to everybody." However, Turkey is anxious not to be viewed just as a "talking shop" or a neutral venue. It wants to ease the strains of "living in a tough neighbourhood".

■ TEXTILE INDUSTRY

'Stifling' barriers may fall to winds of competition

Turkey's textile industry is ready and waiting, if not champing at the bit, for customs union with the European Union. Extensive preparations for the 1995 deadline have been made and a timetable for the reduction of import duties is nearing its target of zero.

The industry has long awaited the removal of the "stifling" tariff and non-tariff barriers to trade, in particular the quota restrictions which Ankara has considered both arbitrary and a violation of the 1964 Turkey-EC association agreement and the 1973 additional protocol.

Buyers and shippers of textiles and apparel have also caught the industry's infectious enthusiasm for customs union. "No more quotas, no more form filling, no more phoning up to be told I can't have a re-order because quota limits have been reached," said a ready-to-wear buyer for high street stores in Britain.

However, as the appointed "zero" hour has neared, the road to free trade has developed ruts, potholes and other obstacles to jolt its travellers. Turkey's application for EU membership continues to gather dust on the shelves in Brussels as Nordic and east European applicants nudge Turkey further down the queue. For many Turkish industries, the prospect of customs union without the benefits of full EU membership and economic integration has increasingly been perceived as half-way to nowhere.

The country's textile industry is also wary that the EU may retain some quotas on Turkish imports or use restrictions on the textile sector as a lever to prise open Turkey's other more reticent sectors.

The road to free trade has developed ruts, potholes and other obstacles to jolt its travellers

The vehicle industry and durable goods manufacturers have been lobbying for more time to prepare for the full effects of competition which will squeeze their market share. The recent deterioration of the economy has fuelled the case for some form of delay or prolonged phase-in period and there has been mounting speculation of slippage in the customs union timetable.

Brussels has not committed itself to the elimination of quotas, an issue which will ultimately be decided by EU member states. Turkish producers are worried that Portugal and Spain may seek to retain some restrictions to protect their domestic industries.

The quota issue is crucial to the textile and apparel industries which are Turkey's largest foreign exchange earners, with combined exports of $5.4bn in 1992. The share of total export earnings has risen steadily from 30 per cent in 1989 to over 37 per cent in 1992. The EU buys 72 per cent of Turkey's textile and apparel exports and 26 per cent of the country's total export earnings originate from textile and apparel exports to the EU.

The industry is growing concerned that something less than full union will be enacted. Import competition combined with any vestiges of export limitations could devastate an industry which has been struggling to overcome a host of problems and a prolonged period of upheaval.

Turkey's recent rapid growth and high rates of investment have coincided with recession in its main export markets. Spiralling inflation, high domestic energy costs and rising raw material prices have reduced Turkey's competitive edge in the textiles sector and its rising export figures have been hard-won. The difficulties have been exacerbated by increased market penetration from Asian producers.

Over the past three years, textile exports have been falling both in volume terms and more steeply in dollar terms.

Foreign producers have been eyeing Turkey's youthful and increasingly fashion-conscious market

This has been offset by the rapid rise in apparel exports which have climbed from $2.4bn in 1989 to $4bn in 1992.

"In recent months, the issue of EU quotas has been less of a headache than the domestic economy," says Mr Mustafa Boyacioglu of the Istanbul Apparel Exporters Association (IKTIB) which represents its 10,000 members producing over 80 per cent of exports in the sector.

Currency instability, the lack of a coherent economic programme and rising costs have deterred investment for several months. Last August's export incentives to increase export financing, improve export credit terms, rebates on utility costs and extra cargo flights to avoid the disruption of the overland route via former Yugoslavia have been almost negated by the deteriorating economic situation.

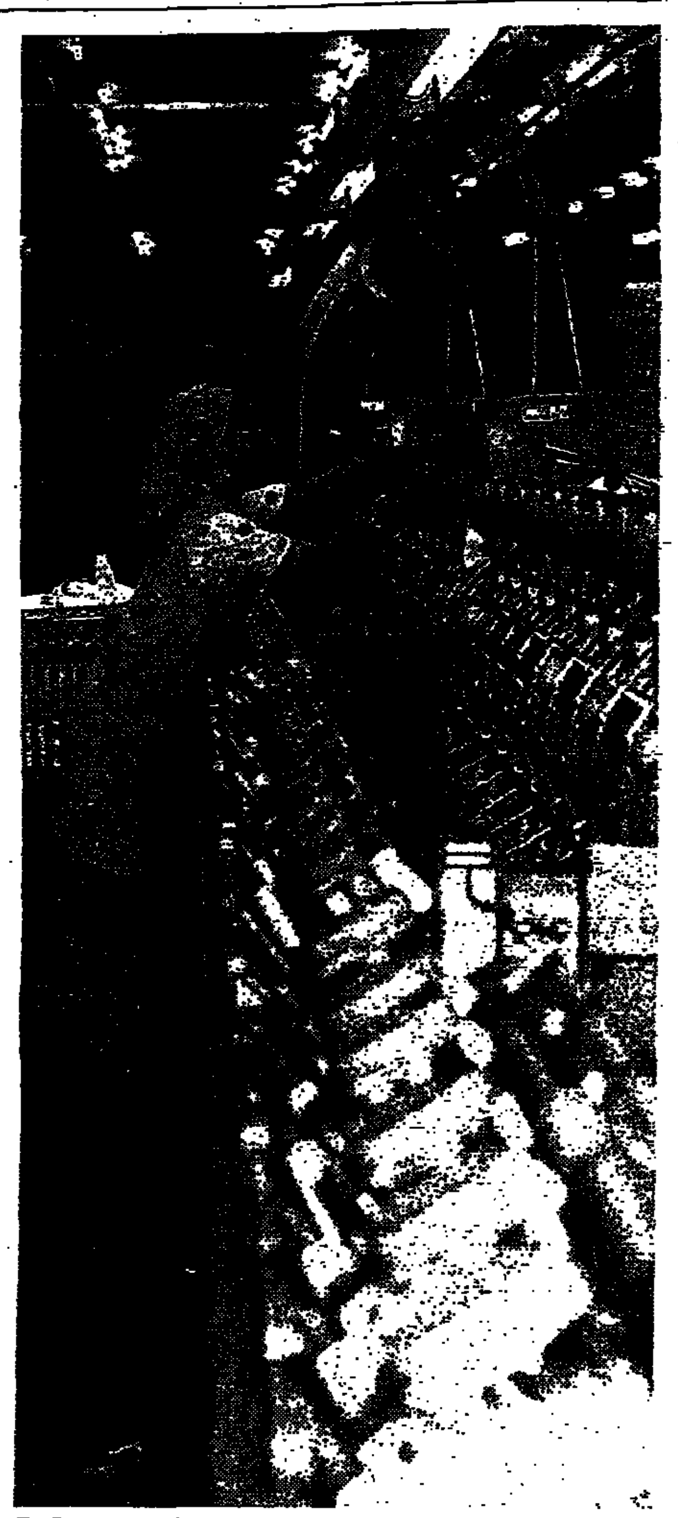
Inflation, which last month reached an annualised rate of 73 per cent, is expected to cloud the textile sector's wage negotiating round, which begins in September. The threat of strikes loomed large during the last semi-annual round when average monthly wages were $246. The textiles groups are better organised than the apparel sector which is mainly comprised of small to medium-sized businesses with a high turnover of employees. The forthcoming round is expected to be bruising and some employers suggest that heavy wage demands would be the nail in the coffin for competitiveness, possibly leading to many closures.

Cotton prices also remain a stumbling block. Although there are efforts to build a market, futures and hedging have not been developed and domestic cotton harvests have dropped by 75 per cent, from 1.1m bales in 1983 to 276,000 bales for 1993-94. The area planted to cotton has fallen from 300,000 hectares in 1982 to 75,000 hectares in 1993.

Reduced government support for prices has caused a shift in cotton production from the largest cotton-producing area of Adana towards the east where wage costs are lower. The cotton yarn industry is also migrating eastwards, with some ventures spilling into the central Asian republics for cotton milling and processing which rely heavily on cheap labour to survive.

The domestic retail market for Turkish cloth and fabrics has declined with the shift towards value-added products such as ready-made garments.

Foreign clothing producers have been eyeing Turkey's youthful and increasingly fashion-conscious market but have been kept at bay by import duties of around 40 per cent. EU garment sales to Turkey in 1992 amounted to only $36m but would rise rapidly after customs union when import duties would be zero.



The Bozkurt tetile factory at Kosuyolu, near Istanbul Tony Kirk

Several EU clothing groups, notably Italian producers, have sought to gain a foothold through licensing agreements to market their products in Turkey and in the Turkish speaking areas of the CIS. Pancaldi of Italy last year signed a five-year agreement worth over L18bn.

The Turkish apparel sector is confident that it will be able to withstand the impact of full competition by doubling its exports within five years of the EU lifting quota restrictions. It is, however, acutely aware that its present advantages such as a mature and broad product range, a skilled workforce and quick response and re-order times need to be backed up by further investment and modernisation. Without the latter, Turkey's leading industry will be unable to face either the challenges or the opportunities of the full customs union it has been waiting for.

Anne Counsell

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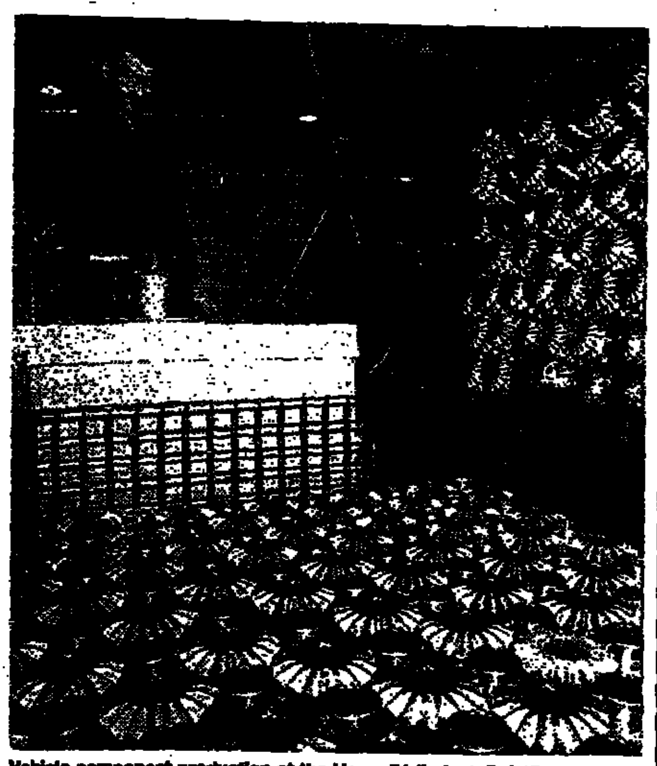


Vehicle component production at the Hema Disli plant, Polatli *Tony Kirk*

Car manufacturers' fears

One-way street for imports

Turkey's vehicle manufacturers are reluctant to be guinea pigs. The unique and unchartered prospect of customs union with the European Union without full EU membership has little appeal to an industry which has enjoyed high tariff barriers, a growing market and government incentives.

"We are not opposed to competition, nor are we against customs union," says Professor Ercan Tezer, secretary-general of the carmakers' association (OSD). "We do not want to delay customs union. All we are asking for is a reasonable period to adjust within a proper programme and schedule."

The industry is worried that sudden deregulation will be a one-way street, resulting in a flood of imports, especially from eastern Europe, Japan and Korea. Lada and Skoda already account for over 50 per cent of the import market and this would climb rapidly if Turkey were to adopt the EU's common commercial tariff for third countries.

The OSD, which represents Turkey's 15 passenger, commercial, light goods and tractor manufacturers, has been lobbying the government and Brussels for a reprieve. It recently commissioned a report by McKinsey's, the US management consultancy, which concluded that the industry needs another five years to consolidate its investment programmes and prepare for customs union.

The motor industry has been Turkey's fastest growing manufacturing industry with an average annual growth rate of 12.5 per cent between 1987 and 1992. In terms of production, it ranks third after food processing and textiles and provides employment for more than 0.5m people.

The two largest companies, Tofas – a joint venture with Fiat – and Oyak Renault together enjoyed a market share of 73.9 per cent in 1993. Total car sales in 1993 were 441,829, a 40 per cent increase over 1992 with demand fuelled by Turkey's high growth rates, the availability of credit and rapid urbanisation. In addition, the number of cars per 1,000 people stands at 35, one tenth of the average in western Europe, highlighting the potential for sales growth.

So why the fuss about customs union? The runaway rise in production and sales flies in the face of the general European trend, which has been quite in the opposite direction.

"There has been a long-term programme of investment in the Turkish car industry," says Mr Jan Nahum, general manager of Tofas. "Twenty-two years ago there was no auto market, even 10 years ago a viable auto sector was unimaginable."

Tofas, which in 1993 cornered 44.1 per cent of the domestic market, produces three main series – the Bird, based on the Fiat 131, the Tipo and the Tempra series with different models in each category. Tofas and its main competitor, Oyak Renault, are the only producers achieving close to optimum capacity.

In order to benefit from economies of scale and to remain competitive, the two producers have been improving their production, expanding capacity and modernising their manufacturing and assembly lines. Both argue that they need more time to establish their projects and to consolidate these investments.

Tofas plans to introduce the Uno series to its range in the last quarter of this year. The company has spent over $140m of its $500m allocation for plant modernisation by reinvesting retained earnings and credits in the industry.

Renault is also expanding its range in Turkey – adding the Renault 19 to its existing 9,11,12 and 21 series. The launch is scheduled for September and falls within a $300m investment plan for increasing capacity and modernising its plants.

The spur to investment and modernisation has also been prompted by the arrival of other producers, attracted by the growing market and keen to establish a foothold in Turkey before the advent of customs union.

The local Ford licensee, Otosan, began producing the Escort model late last year following a $25m investment programme at its Istanbul plant. A joint venture between Turkey's Sabanci Holding and Toyota of Japan is building a production plant near Istanbul while Honda and Hyundai have recently obtained government approval for two new car plants under 50 per cent joint ventures with local concerns.

Hard on the heels of these new investments came a damaging blow. The auto industry's anxieties over the possible effects of customs union were heightened at the start of this year when the sector experienced the shock of a sudden, steep drop in sales. The 12 per cent devaluation of the lira and a sharp rise in interest rates stopped car sales in their tracks.

Consumer lending virtually dried up and car sales fell during January and February, leaving manufacturers with mounting stocks, an almost unknown phenomenon in Turkey.

The economic uncertainty had an immediate and brutal impact – Tofas workers were put on paid leave and Renault cut production by bringing forward paid leave and working a shorter week.

The country's economic difficulties were compounded by the political uncertainty with no prospect of an upturn in sales until well after the municipal elections at the end of March. The unexpectedly good showing of prime minister Mrs Tansu Çiller at the polls and the prospect of a stabilisation programme provide only the faintest glimmer of hope for the car industry.

"Disastrous" is the most frequently used adjective to describe the first quarter of 1994 for the industry. The possible effect on investment together with the prospect of lay-offs have armed the sector with more ammunition to argue for an adjustment period to customs union. Meanwhile, other industries are joining the chorus, cautioning that customs union may not be as beneficial as at first appeared.

Anne Counsell

Turkey's car industry

	Dec 1993	Jan 1994	February 1994#
Production	38,116	34,197	15,739
Sales	40,237	27,015	12,098
Stocks	3,438	10,618	15,086

To February 15 only. Source: Turkish Daily News

Anne Counsell on the stock market fall-out

A meteor falls to earth

According to an Istanbul analyst, "the PMT set off the market's decline and it was all downhill from then on." He is not talking about hormones. "Post Moody's Tension" on the Istanbul stock market resulted in an evaporation of confidence and the disappearance of funds.

The acronym and the trading room banter belie the financial fall-out of recent months. The parlous state of Turkey's public finances was highlighted by Moody's rating agency in mid-January when it downgraded Turkey's long-term debt rating from BAA to BA1, considered a "junk" rating. This was briskly followed by Standard & Poor's which reduced its long-term foreign currency rating from BBB to BBB minus.

The Istanbul Stock Exchange 60-share composite index ducked and dived with the ensuing upheavals on the foreign exchange market as Turks rushed to buy dollars and interbank overnight interest rates rose to 150 per cent.

By early February the index had sunk 30 per cent from its high of 28,300 in early January. There was no respite – inflation figures turned sharply upwards and the second central bank governor in six months resigned. The stock market dropped a further 23 per cent to hover uneasily around the 13,000 level.

Trading volumes all but collapsed as traders retreated to lick their wounds and await the outcome of municipal elections. Turnover plummeted to TL1 trillion ($56m) from an average of TL4 trillion in early January when the market was at its high.

On the almost empty trading floor, boards are locked within half an hour as prices hit lower limits for the day – a far cry from the halcyon days of last year when traders streamed into the rundown stock market building near the dockside. Last year, Istanbul was a darling of the emerging markets, rising by a meteoric 194 per cent in dollar terms and outperformed only by Poland in the emerging markets league.

In November, the high levels of foreign interest and recognition of the market's own regulatory system resulted in the Istanbul market joining the two dozen exchanges in the world granted the status of "designated offshore securities market" by the US Securities and Exchange Commission.

> "The economy hasn't been mismanaged. It hasn't been managed at all"

Last year, everyone was buying on expectation, now they are selling on reality," says Mr Ozkan Gökdemir, general manager of Carmen Investment.

The shares of many companies have fallen below their book values. Erdemir, an iron and steel producer which last year invested $1.5bn in new plant and equipment, could be bought outright for $350m when its shares fell to their low of 15 cents.

Mr Kosta Zamani, of the International Finance Corporation, the World Bank's private sector lending arm, is cautiously optimistic that the market will improve over the long term. However, he expects a prolonged recovery for the market due to the perilous economic conditions. "The economy hasn't been mismanaged," he says. "It hasn't been managed at all."

The next few months, he believes, will be critical. Much will depend on whether the recent austerity package is sufficient, credible or can be implemented, especially the political difficult closure of several loss-making state enterprises.

Mrs Çiller's track record on the economy has been less than glowing and the stop-start privatisation programme has left the market sceptical.

In happier days, the stock exchange hoped that privatisation would boost the hungry market with new issues. Today brokers are doubtful that the programme will succeed, noting that more has been spent on studies than has been realised by sell-offs.

In March, a report by the Istanbul-based Turkish Young Businessmen's Association said the success of privatisation would depend on political resolve, noting that "officials approach privatisation as an independent issue rather than as part of an economic improvement plan". By way of encouragement, the report pointed out that "privatisation programmes had been implemented successfully even in countries with worse economic indicators than Turkey."

The consensus, however, is for a semblance of stability after the volatility of recent months. A few of the optimists hope that the economy will be on an even keel by the time the stock market moves to its expansive, new premises in the Istinye business district of Istanbul. Those with more bearish tendencies note that the move has already been delayed by six months, as has the change-over to a fully automated trading system.

An adviser to the prime minister talks to John Murray Brown

Elegant Unsal shuns blame

Talking to Osman Unsal, it is easy to forget the country is grappling with its worst financial crisis for a decade.

Just back from yet another trip to south-east Asia, he sounds like a born-again capitalist who has seen the promised land – in his case the tiny island state of Singapore.

A former Citibank employee, with a taste for monogrammed shirt cuffs, Mr Unsal is today the government official the business community loves to hate. For Mr Unsal, 39, is a key confidant of Mrs Tansu Çiller, the prime minister.

His lack of years has already been the cause of one humiliation: bureaucrats in Ankara succeeded in blocking his appointment as Treasury head on the grounds that he had seen insufficient time in the civil service. Since the announcement of the austerity package, Mr Unsal has been replaced as acting under-secretary at the treasury, moving instead to the prime ministry.

Mr Unsal made his name as head of the foreign investment department under the former Motherland party administration. His connection with Mrs Çiller goes back further – she was his professor at the Bogazici University.

It is his public finance strategy that is widely blamed for fuelling overnight rates, which led to high borrowing costs, causing a dramatic contraction of business activity, and leaving the banking sector gasping for breath.

His bid to restructure the government's domestic debt is seen as the main cause for the collapse of the Treasury bill market.

In the wake of January's 12 per cent devaluation and the subsequent currency turmoil, interest rates on government bills have shot up to 125 per cent, and even at that rate there is little demand. The Treasury is selling less than TL100bn at its Wednesday auction compared with an average figure of around TL20,000bn last year.

Mr Unsal's strategy had a certain elegance. By lengthening maturities, the government set out to ease its debt service burden. The side-effect, however, was that the repeated cancellation of the weekly auction has left the market with an overhang of Turkish lira – one of the main factors fuelling dollar demand, and leading to the run on the currency.

"I didn't say that interest rates should come down. I just said for one-year paper I'll pay more. We were lucky to do that. If we had gone into this crisis with heavy three-month funding for the Treasury, we would have been in deep trouble. But in nominal terms, it's the same as last year or even less than last year.

Osman Unsal: short-term problems

"I don't think we have a problem," Mr Unsal avers, pointing to a 30 per cent increase in foreign investment approvals in 1993. "On the contrary, with the customs union (with the European Union) Turkey will be a production centre, a stepping stone, the penetration point for the markets."

His personal conviction has so far failed to persuade the markets. The lira has lost close to 35 per cent in the wake of the 12 per cent devaluation in January.

Mr Unsal is keen to stress that whatever has happened was a collective decision. "It wasn't fair to blame me. We had hourly meetings or daily meetings, with the central bank, the state planning organisation and with finance."

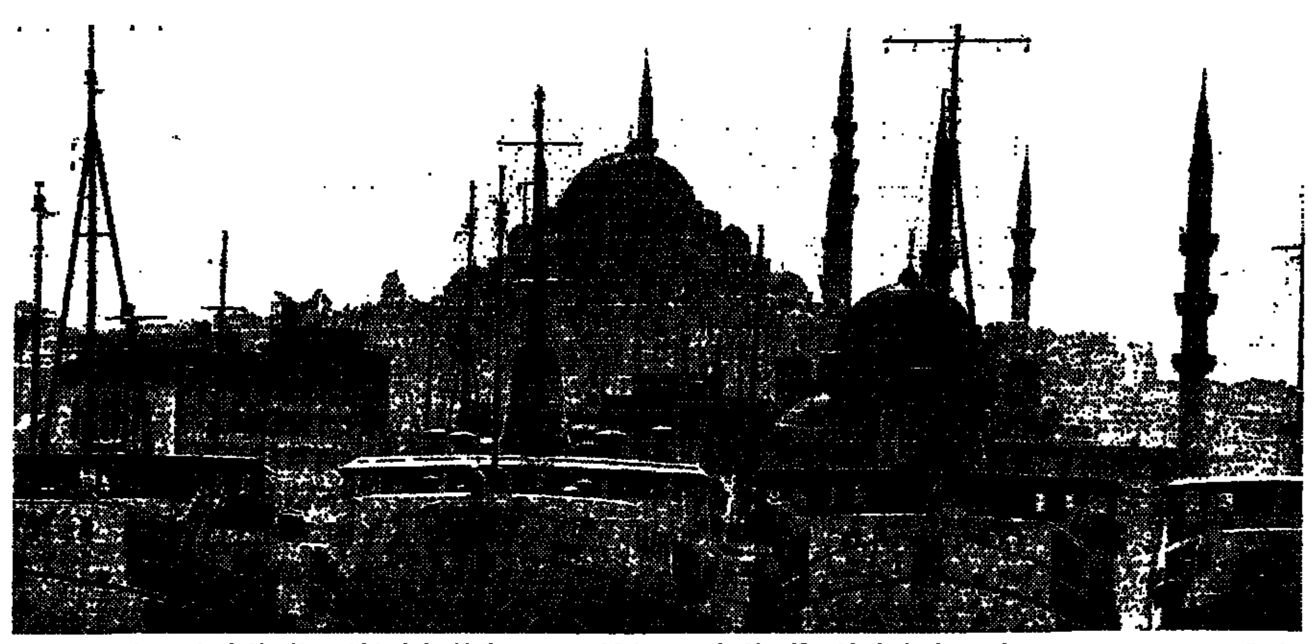
He prefers to put a more positive gloss on what has happened. "Because of our inability to borrow in the last two months, our projected stock of Treasury paper will be something like 22 per cent of our GNP, when it was quoted in the budget at 26 per cent."

Turkey's problems, he asserts, are short-term. "To lose the confidence of the market can happen in just one day. To rebuild you may need more than one day. But the public should realise, the banks should realise, it's normal to have such disturbances."

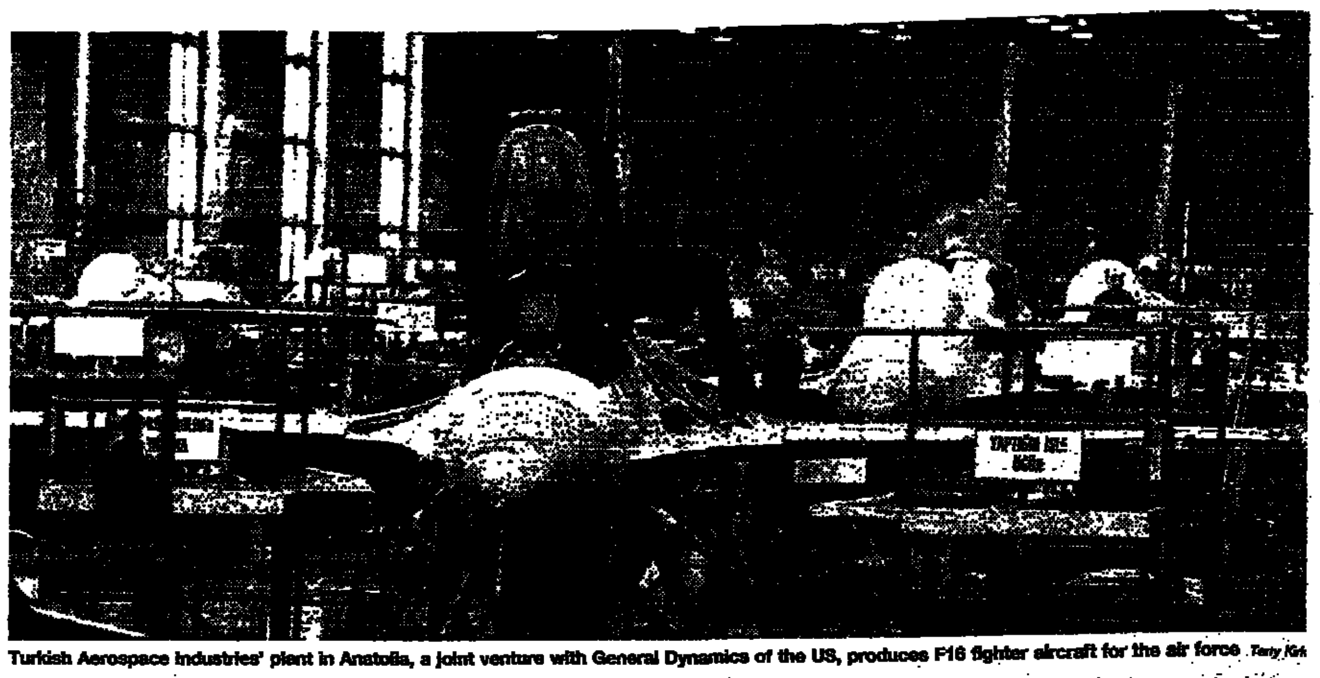
Mr Unsal appears equally confident that the banking sector can ride out the crisis. "If you make money with your short position, you may lose with your short position, and that's a fact of life," he says.

But he is sensitive to the suggestion that his policies contributed to the currency crisis. "Everyone needs a reason for a problem," he says, searching for an explanation. "Tax was certainly one aspect. If you start taxing some of the instruments and not others, you create a disturbance to the advantage of one and disadvantage of the other.

"Treasury paper was used as a tax shelter. In late November, when the tax rumours started, that's when the banks started to cover their positions."



Bosporus Ferries on the Golden Horn at Istanbul, with the mosque of Sulamanye the Magnificent in the background *Tony Kirk*



Turkish Aerospace Industries' plant in Anatolia, a joint venture with General Dynamics of the US, produces F16 fighter aircraft for the air force *Tony Kirk*

John Murray Brown assesses a move that will have a great impact on the country's economy

On the last lap to a customs union

After 20 years of fitful progress, Turkey and the European Union seem finally to have embarked on the last lap to a customs union. The visit to Ankara in early February of Sir Leon Brittan, the EU external affairs commissioner, has given a new momentum to the project. If all goes to plan, the trade barriers are scheduled to be lifted in 1995, marking the most important change in Turkey's business environment, and a further milestone in its bid for full EU membership.

Considerable adjustment is required not just to Turkey's budget but also to the trade balance with the EU and to those sectors of industry most vulnerable to import competition.

Implementing a customs union is difficult at the best of times, but Turkey is trying to do so with its own domestic economy in turmoil.

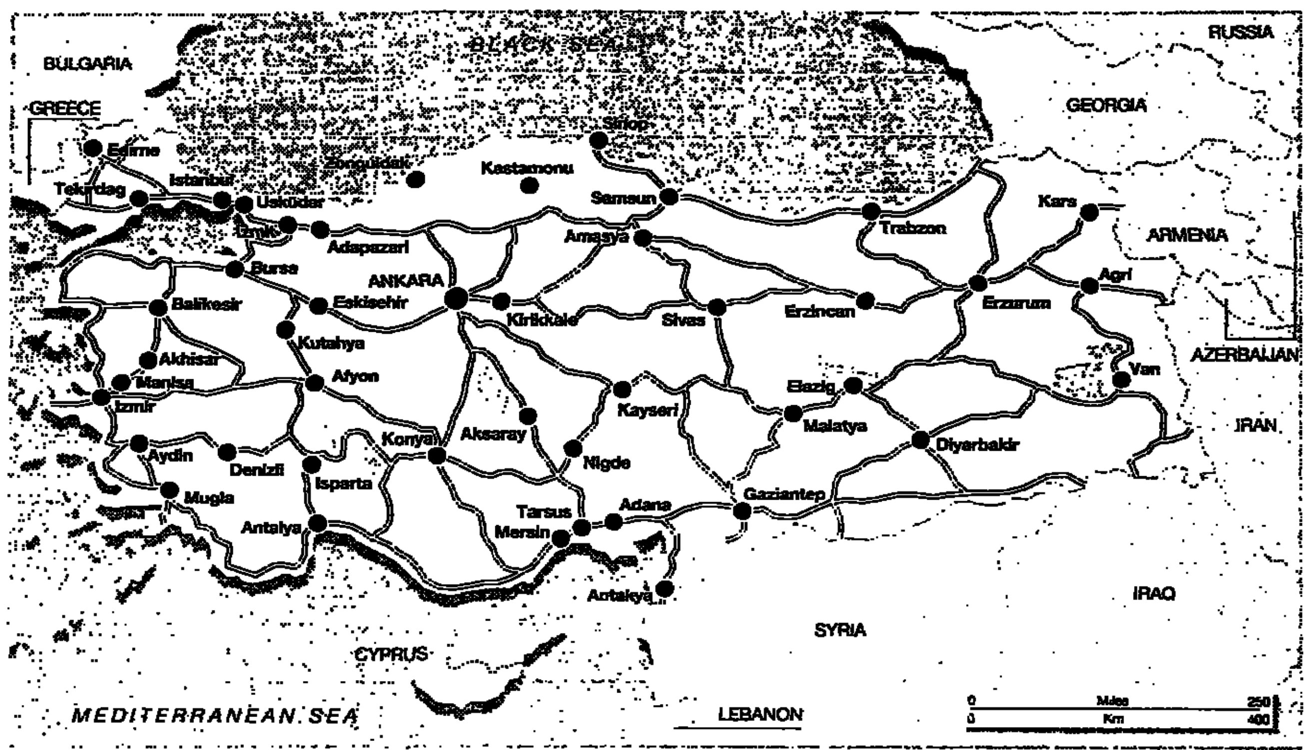
Recent turbulence in Turkish currency markets has forced the government to devalue the lira by 12 per cent. Commission officials believe the crisis has made it all the more urgent that Turkey address the structural problems of its economy before lowering its guard to its EU competition. On many counts – inflation, interest rates and the public sector deficit – Turkey diverges from the European norms.

Some Turks wonder whether the attempt to integrate the country's economy with the EU is too ambitious. Nevertheless, Sir Leon asserts that customs union will have a stimulative effect. However, he warns that without underpinning the recent devaluation with an austerity programme, Turkey is in danger of dissipating the gains that might accrue from customs union.

Turkey might make a better case for financial adjustment funds to help ease the process of economic integration. The Turks point out that they will be the only country to enter a customs union without first being a full member. As long as Greece continues to use its veto to block the flow of Ecus, Turkey could soon be "the only country between the Straits of Gibraltar and the Sea of Japan not to get EC aid," as one official once put it.

Currently the only assistance available is under the EU's renovated Mediterranean policy, a regional assistance programme framed in the late 1980s less with Turkey in mind than to counter the growing threat of large-scale migration from the Maghreb countries of North Africa.

Yet, despite the inevitable pain of transition to a more deregulated economy, Turkey's commitment to trade liberalisation has always been motivated more by political than economic imperatives. Unlike some of the Nordic countries, Turkey's political parties, with the exception of the Moslem-backed Refah or Welfare party, all support the objective of closer ties with Europe.



Though Turkey's application for full EU membership was politely shelved in 1989, western officials believe there is little realistic prospect of accession in the foreseeable future. But Ankara is all too aware that any slip-up in its customs union timetable in 1995 would damage even those distant ambitions, at a time when Turkey is already losing ground to a queue of eastern and central European countries.

In some sectors, convergence is already happening. In financial services, for example, Turkey has already adopted many of the EU banking directives. As the number of foreign companies setting up joint ventures with local partners picks up, national brand names are giving way to international products.

Both Turkey and the EU have compelling reasons for seeing the negotiations through to a successful conclusion. For the EU, customs union will mark a further deepening of trade relations. Turkey is a dynamic regional trade hub. With a population of 60m, the country is already the EU's ninth largest export market.

What is more, over the past decade the Turkish economy has enjoyed average growth of more than 6 per cent, higher than any member of the Organisation for Economic Co-operation and Development.

Last year, two-way trade exceeded $20bn. In Brussels, Turkey is viewed as a vital partner in the newly emerging economies of the Black Sea and central Asia.

If there is to be a permanent solution to the Arab-Israeli dispute, then here too Turkey will play a big role, controlling as it does much of the region's vital water resources.

The move to a customs union will not be easy. The World Bank, in an article in its Economic Review last year, suggested a customs union would "have little beneficial effect on welfare". The impact of trade reform seems certain to exacerbate the already wide disparities of income between Turkey's prosperous western seaboard and the poverty-stricken eastern provinces.

The economic case for trade liberalisation is that it will stimulate efficiencies, deepen Turkey's industrial base and encourage foreign capital investment in sectors where Turkey has real comparative advantage, such as processed foods, retailing and light industries such as vehicle components.

However, the exercise presents a big challenge for the Turkish economy. Treasury officials estimate that the move to lower tariffs could reduce tax revenues by as much as $3bn a year. As the barriers come down, imports are set to rise by a further $1.5bn to $2bn, adding to the trade account deficit, which in 1993 was already at a record $14bn. In the current financial environment, it has been hard for Turkish companies to make the sort of long-term investments in upgrading technology needed to weather the increased foreign competition.

For foreign investors too, the customs union is forcing a rethink of strategies. Until now, most foreign companies have been attracted to Turkey because of the size of its market, its large population and, most important, because of the protection offered to an investor. With customs union, the market share of local producers is likely to come under pressure from imports. Moreover, until the government tackles the problem of inflation, which is as high as 70 per cent, and real interest costs of 30 per cent, the occasions where it pays to site plant in Turkey rather than to import will remain rare.

Just to complete the administrative workload Turkey faces an awesome agenda. The urgency is underlined by the fact that all of this has to be completed by November, when a ministerial meeting of the Turkish-EU association council is due to set a final date for completion.

Several problems remain to be ironed out. Further reductions are needed to arrive at a zero tariff for EU goods and the adoption of the common external tariff (CET) applied to all incoming goods – the fact which distinguishes a customs union from a free trade agreement. From a sample of 501 industrial items, the commission estimates that the effective protection levied against EU goods is still about 15 per cent. The Union, since 1973, has provided duty-free access for all Turkish industrial goods, except textiles which remain restricted by quota.

There are issues in the political arena, too. Real doubts remain that the Turkish parliament, given its poor record of passing legislation, can meet the legislative timetable to bring trade and industrial policy into line with that of the EU on issues that range from intellectual property rights to competition and state aid policy. The commission insists that until the necessary legislation has been approved and actually implemented, the customs union will not be fully working. Both sides are giving renewed impetus to the process through the EU-Turkish parliamentary group – normally the forum for European attacks on Turkey's human rights record.

But the main obstacle is likely to come from Turkey's large protected industries including cars and consumer electronics. Having prospered behind high tariff barriers for so long, these are understandably reluctant to lose their privileges and confront the cold blast of import competition. In the car industry – Turkey assembles locally-made Fiats and Renaults – protection levels are still around 30 per cent. A report commissioned by the car manufacturers' association suggested that Turkey would need another five years of protection to recover the cost of investments in new models now being undertaken, in expectation of the increased competition.

Paradoxically, the threat to the car industry is not so much from EU imports as from eastern and central Europe, with the Czech Skoda and the Russian Lada already making inroads, and likely to penetrate further once the 10 per cent CET for cars from third countries is adopted.

The commission's position is that if the car industry wins a delay in the timetable past 1995, then European textile manufacturers will almost certainly argue for the retention of quotas. "What's sauce for the goose is sauce for the gander," as Sir Leon Brittan put it.

The narrow victory won by Mrs Tansu Çiller, the prime minister, in last month's local elections has given the government a breathing space. But the commission is certainly under no illusions as to the difficulties in bringing Turkey into a customs union.

Profile: TANSU ÇILLER

Thatcher-style public relations

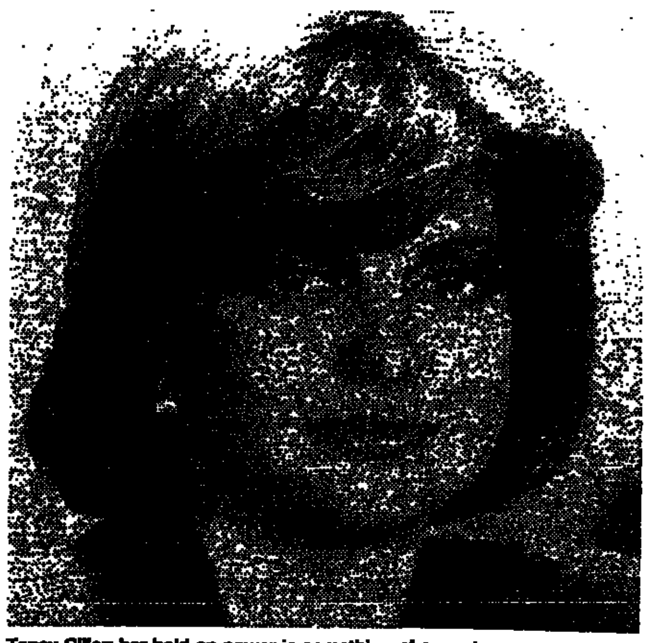
The prime minister is running behind schedule. The man with the face like a cooked ham is a British public relations adviser who used to work for Mrs Margaret Thatcher, her British former counterpart. Another adviser is on the phone to Elle magazine in Germany about the possibility of doing a cover story during Mrs Tansu Çiller's trip to Bonn.

Unfortunately, Mrs Çiller's policy achievements have often failed to match the aplomb of her public relations.

She is certainly not the "agent of change" that one western ambassador suggested. But for all her lack of experience, she has a strong instinct for survival. Her party's narrow victory in local polls on March 27 is largely put down to her popularity. The man on the street says that she should be given the benefit of the doubt. It is hard to find a shopkeeper who blames her for the economic mess – though that is not the view in the boardrooms and banking halls of Istanbul.

Mrs Çiller is a walking contradiction. A successful, independently wealthy woman in a male-dominated, Moslem society, she seems equally at home donning the headscarf in deference to Islam or a football scarf in support of the soccer team Galatasaray's short-lived but heroic run in the European Cup.

Her rise to power owes much to the patronage of Mr Suleyman Demirel, the former prime minister, whose election to the presidency paved the way for Mrs Ciller's leadership victory.



Tansu Çiller: her hold on power is something of a mystery

Mr Demirel was reportedly impressed by her robust criticisms of the late Turgut Ozal, then Motherland party prime minister, when she worked for Tusiad, the businessmen's association. During the election campaign of 1990, Mrs Çiller was frequently photographed on Mr Demirel's right hand. It worked for the six-times prime minister. His True Path party won the election, though without an outright majority. What perhaps he did not count on was having to give Mrs Çiller a senior cabinet position.

After more than 10 months in office, Mrs Çiller's hold on power is still something of a mystery. Her impetuous management style has shaken the crusty bureaucrats in Ankara. The casualty list is impressive – two central bank governors have resigned since she became prime minister. The former head of the state planning organisation has become one of her most virulent public critics.

Her victory in the True Path party congress in June 1993 over Mrs Ismet Sezgin, nominally the choice of Mr Demirel, is largely unexplained.

She seemed genuinely puzzled when asked during the campaign how many party MPs could be relied on to vote for her. One senior DYP figure says none of the cabinet supported her candidacy.

Mrs Çiller, a 48-year-old former Istanbul economics professor, is in many ways a political "naif". The Turkish press has been kind. Despite rumours about her husband's irregular business dealings – particularly about the collapse in the 1980s of the Istanbul Bank, of which he was a director – there seems to be no Whitewater waiting to engulf the prime minister.

Cynics point out that Mrs Çiller helped the newspapers financially with generous tax breaks and investment incentives just before the leadership challenge.

Her economic policies will continue to be under close scrutiny, but her political ideas remain obscure. Her strong line on the Kurds clearly served her well in the local elections. Indeed, one of the most lasting impressions of her administration has been the way she has accommodated the military – in the fight against the Kurds and in the more parochial matter of pay rises for the armed forces and the extension of the service of General Dogan Gures, the chief of general staff.

Gen Gures was among the first of the public figures to applaud Mrs Çiller's recently unveiled austerity package.

John Murray Brown

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FINANCIAL TIMES SURVEY

The economy: nimble exporters saved the day: PAGE II

AUSTRIA

Foreign relations: focus is on European Union entry terms: PAGE III

Friday April 15 1994

The recession came and went so fast that many Austrians now wonder whether it happened at all. Even the most bullish of officials find it hard to explain why their country escaped so lightly from the European downturn. **Patrick Blum** reports

New challenge in Europe

Austrians tend to be cautious, but there is no hiding the general feeling of relief and optimism, not to mention surprise, at having left behind so quickly the country's worst recession for more than a decade.

The recession came and went so fast that many Austrians now wonder whether it happened at all, although rising unemployment is a reminder of the country's vulnerability to external economic developments. But even the most bullish of officials find it hard to explain why their country escaped so lightly from the European downturn.

One explanation is that Austria continued to benefit much more than initially thought from the opening up of the former communist states in central and eastern Europe. While growing exports to eastern Europe could not fully compensate for declining trade in traditional western markets, they reduced the impact of the downturn. Domestic demand also held up relatively well, with public and private consumption boosted by tax reform and an acceleration in planned government expenditure on infrastructure and housing. There were other factors. Wage rises were moderated by fear of unemployment, although at 4.2 per cent of the work force, the proportion of people without jobs is well below that in other European countries.

Many sectors of the economy are still sheltered from international competition, and the predominance of small and medium sized companies – which proved to be much more flexible than the large mainly state-owned groups – also helped. Many companies were able to switch markets and adapt production relatively easily.

Whatever the reasons, Austria's recession – with gross domestic product declining by about 0.25 per cent in 1993 – will have been one of the shortest and mildest in Europe. A modest recovery is forecast for this year, although as growth picks up again in Europe, especially in the important German market which takes about 40 per cent of Austrian exports, Austria should be well placed to reap the benefits. Growth may turn out stronger than the 1.5 per cent forecast.

Austria will also be well placed to benefit from European Union membership – expected on January 1, 1995 – which will give it full and free access to the Union's expanded internal market and strengthen the country's attraction as a base for foreign investment. Good infrastructure and telecommunications, a skilled and disciplined labour force – strikes are practically unknown – a pleasant environment, and a government eager to encourage foreign investment, have already enticed many companies to establish themselves in the country.

Since the fall of communism in central and eastern Europe, Vienna's role as a regional base for western multinationals has been strengthened.

But membership will also bring costs. Austria's inefficient agriculture and food processing industries are in for a shock as protective barriers come down and prices are aligned with those in the rest of the EU.

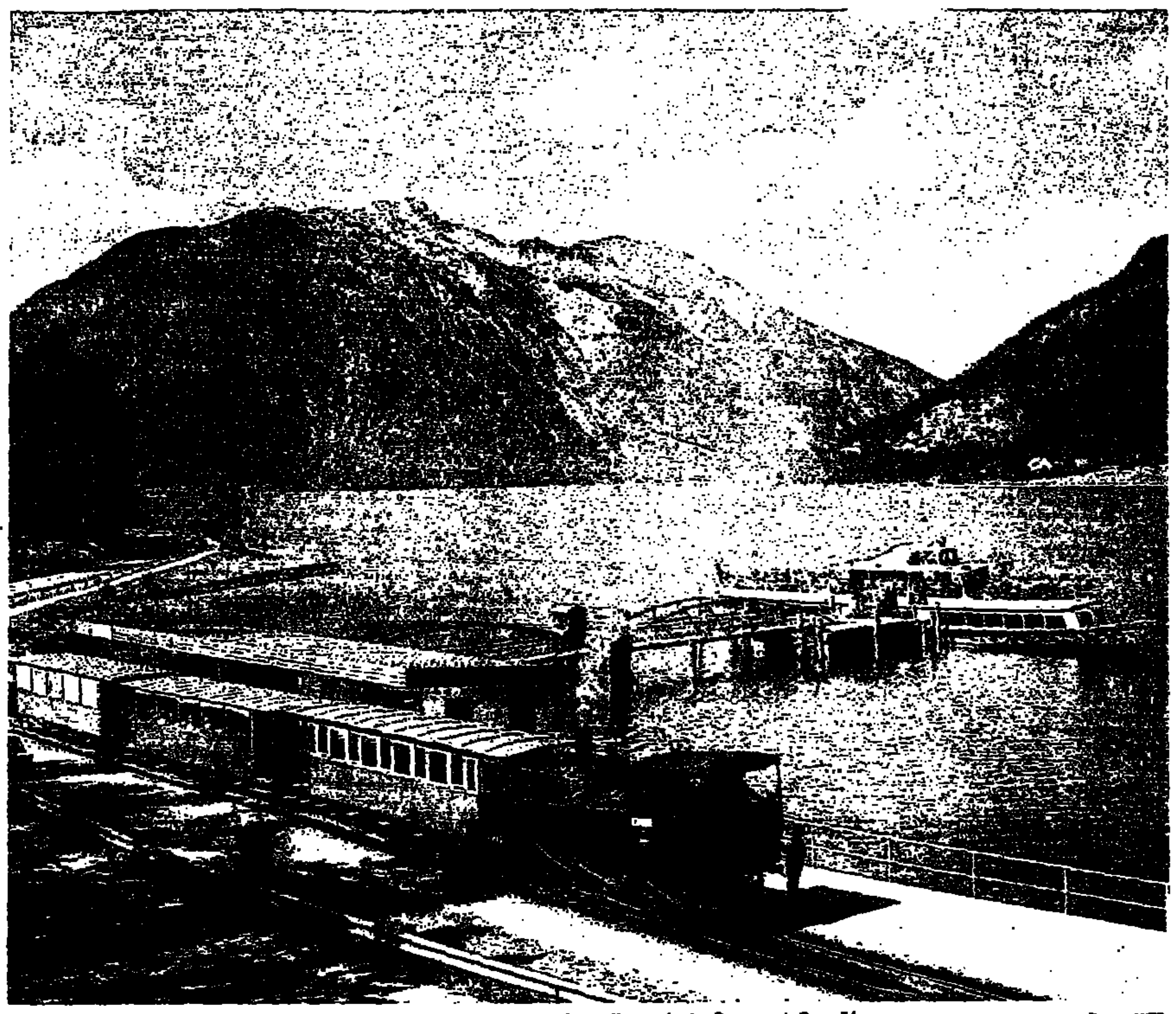
For the country's farmers, the blow will be cushioned by state and EU subsidies during the next few years, but the speed at which German milk producers gained local market share as the European Economic Area came into force on January 1 this year is an indication of the competitive pressures Austrian producers will face from now on.

The same is true for other industries where one of the biggest challenges comes from low-cost competition from central and eastern Europe. Manufacturers of sensitive products from cement to fertilisers face a tough future as eastern producers undercut prices even for the most economic and modern of Austrian plants.

Traditional industries will find it increasingly difficult to compete against producers benefiting from labour costs of almost one tenth those in Austria. This has encouraged a growing number of Austrian companies to internationalise their operations by moving labour-intensive production to neighbouring countries.

"For the cost of running a small factory with 50 workers here, you can move to Bratislava and employ more than 200 workers," says a businessman. Austria has emerged as the largest western investor in the region in terms of numbers of joint ventures established.

EU membership will also accelerate the pace of restructuring. Productivity gains in recent years have helped the most exposed sectors to adjust to international competition, but further improvements will be needed if Austria is to remain competitive as a business location.



Revenues from tourism account for about 8 per cent of Austria's gross domestic product. See report, Page IV Picture: ANTO

Mr Franz Vranitzky, the social democrat chancellor, says that raising skills and quality will be central concerns of the next government after general elections in October. "In Europe, it is increasingly difficult to maintain employment. Every structural change has ended with a decline in industrial jobs. We would not be well advised to copy eastern Europe [with cheap labour]. We need a high level of development, of education and skills," he says. Openness and competitiveness will be the most important factors in securing future prosperity, he adds.

Good intentions, however, are not always easy to live up to. Last year, the government overshot its spending targets by about 60 per cent with the budget deficit rising to just under Sch100bn, representing about 4 per cent of GDP. The worsening deficit was due to lower tax revenues, a virtual halt in the privatisation programme, and rising social outlays for unemployment.

The deficit should come down this year as the recovery strengthens and privatisations get under way again. Moreover, the deficit is not as serious a problem as in other European countries, and it would represent only about 2.5 per cent of GDP if the healthier provincial government finances were taken into account. Inflation, at 3.1 per cent, is falling slowly. Economists would like to see the government make greater efforts to cut spending, but with a referendum on EU membership and a general election due later this year, improvements on this side are likely to be modest.

The EU referendum is scheduled for June, and the future of the coalition between the Social Democratic Party (SPO) and the conservative People's Party (OVP) will be tested in general elections in October.

Baring surprises, the referendum should come out in favour of membership, with Austria joining on January 1. Opposition to joining has so far remained fragmented and weak, and opinion polls suggest that a clear majority of voters favour membership. The Greens and Mr Jörg Haider's Freedom Party (FPO) on the extreme right are opposed to membership, though they are divided on the issue.

The greatest threat to a positive outcome may be complacency, with people, especially socialist voters, not bothering to vote – "for the right or wrong reasons, the EU has not been a very attractive product to sell," says Chancellor Vranitzky. It is widely perceived to have failed in its peace-making efforts in Bosnia; it is identified with the international recession; and it has much higher unemployment than Austria. The recent quarrel over minority votes was unedifying.

"So it takes an extra effort to convince our people that as a model it's an improvement," he says.

Uncertainty over the referendum's outcome worries business – "if we don't join, foreign investment will dry up. If there is no foreign investment, there'll be no technological transfer. And if there is no technological transfer, we will not be able to modernise our economy and compete," says a local banker.

Officials, however, believe they have secured sufficiently attractive membership terms and enough concessions from Brussels on agriculture and transit lorry traffic to win majority support for membership.

The general election will present the ruling parties with a different challenge. Their popularity has steadily declined since the 1980s as an increasing number of voters has grown tired of the old system under which the social democrats and conservatives have shared out power and patronage among themselves.

Dissatisfaction has boosted the Freedom Party and the Greens, but the FPO's xenophobic anti-immigration campaigns have effectively ruled it out as a coalition partner, while the Greens and the Liberals remain too small to exert much influence. The most likely outcome of the elections remains another grand coalition.

Ian Rodger examines the economy

Nimble exporters saved the day

It looks as if Austria gave the recent European recession a miss.

The final figures are not in yet, but it is likely that the country did not even accumulate three successive quarters of declining output last year, and the net gross domestic product decline for the full year was probably only 0.25 per cent.

This is a much better performance than everyone but Mrs Maria Schaumayer, the president of the Austrian National Bank, expected. Mrs Schaumayer, it may be recalled, brushed aside talk of hard landings last year, saying that any landing would be of the softest velvet.

Even the quasi-official Austrian Institute of Economic Research (Wifo) was too negative, carrying a 1993 forecast of a full 1 per cent decline until mid-autumn when it detected an export recovery.

What seems to have happened is that

Exports to eastern Europe have grown very rapidly in the past three years

Austria's nimble exporters responded rapidly to the slump in demand in their main western European markets, especially Germany and Italy, and aimed their efforts more at eastern Europe, the US and the Far East. Thus the net fall in exports last year could be limited to 4.5 per cent in spite of a 9.1 per cent slide in exports to European Union countries.

Exports to eastern Europe have grown very rapidly in the past three years and now account for 13 per cent of the total. Hungary is the country's fifth-largest market after Germany, Italy, Switzerland and France. Exports to the US were up 24.5 per cent after two years of declines.

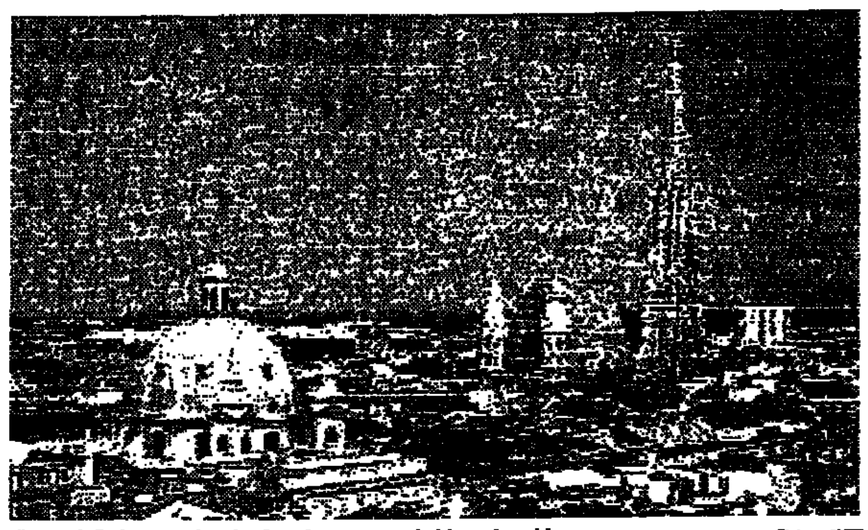
Mr Helmut Kramer, Wifo director, suspects that analysts were so impressed last year by the difficulties of some of the country's big companies – such as Austrian Industries, OMV and Leykam – that they failed to notice that smaller and medium sized companies were doing surprisingly well.

Mrs Schaumayer agrees. "There is a deeply rooted misconception that we are a country of farmers and civil servants. We have a lot of really successful industrial entrepreneurs," she says.

Productivity has also improved, at least with respect to Germany, thanks in part to the willingness of trade unions to agree moderate settlements last autumn.

The other factor in last year's resilient performance was a rise of 2 per cent in domestic demand. This was partly explained by some government pump priming early in the year, but mainly, it seems, by maintained consumer confidence. Austrian authorities point out that they were careful to avoid wallowing in the kind of excessive pessimism that could be observed in Germany and tended to make things worse.

Perhaps because of the mildness of the downturn, inflation remains the Austrian economy's biggest problem. Unemployment, the scourge of most other European countries, shows no sign of raging through



Vienna: Inflation remains the Austrian economy's biggest problem Picture: ANTO

Austria. It averaged 4.2 per cent on the Organisation for Economic Co-operation and Development calculation method last year and is forecast to rise to 4.6 per cent this year as manufacturing industry continues to emphasise productivity improvement. "We expect unemployment to continue to rise steadily but slowly," says Mr Werner Teufelsbauer, chief economist at the Federal Chamber of Commerce.

Inflation, on the other hand, is still at 3.1 per cent and Wifo is forecasting that it will average 2.75 per cent in 1994.

Mr Kramer says that about a third of the pressure on prices comes from increases in tariffs on public services and another important portion from the strong demand for housing and the related recent liberalisation of rent control laws.

However, he is distressed that market forces have been slow to work in the past year since the effective revaluation of the schilling and, more recently, the start-up of the European Economic Area (EEA).

Prices of many imported industrial inputs and consumer products remain unnecessarily high. Perhaps it will take time for both EU sellers and Austrian buyers to realise that the country's entry into the single market through the EEA creates opportunities for both.

"Our small and medium sized companies are not accustomed to being in a buyers' market. It will take them a while to learn to bargain," says Mrs Schaumayer.

The other relatively important problem is the public sector deficit. The government's plan to bring the federal deficit down from 5 per cent of GDP in 1986 to 2.5 per cent this year has been quietly jettisoned.

Good progress was made until 1992, when it was down to 3.25 per cent, but last year the deficit grew again because of various recessionary influences, the introduction of new social security spending and the failure of privatisation revenues to meet forecasts.

The budgeted Sch60bn deficit was raised to Sch80bn in the autumn, and Mr Ferdinand Lacina, the finance minister, said last month it would end up at Sch98bn, some 4 per cent of GDP.

This year's budgeted deficit is Sch80bn, but with federal elections and a tricky referendum on joining the EU in prospect, the government is unlikely to be in the business of imposing pain on anyone. Next year, Austria has to start making net contributions to the EU budget as well as compensation payments to hard-hit industries, especially agriculture.

Nobody pretends that Austria's fiscal problems are anything like as severe as those of most other western European countries. If the healthy finances of the provincial governments are taken into account, the aggregate public sector deficit is pretty close to the Maastricht requirement that it not exceed 2.5 per cent of GDP.

But economists would like to see the government pushing hard to cut spending now that economic recovery is under way.

Initially, the recovery is expected to be

Wifo is forecasting 1.5 per cent GDP growth. Some economists say it is too optimistic

fairly modest. Wifo is forecasting only 1.5 per cent GDP growth this year, and some economists believe it is being too optimistic.

Mr Kramer says the export performance is better than expected, and he believes export growth will exceed the forecast 3.8 per cent.

Domestic demand, on the other hand, will remain weak, with the only stimulus coming from income tax cuts that came into effect at the beginning of the year. Corporate capital spending, after two years of decline, will probably rise modestly.

The bloated banking sector is being consolidated, writes Ian Rodger

Financial scene is still bubbling

The Austrian financial scene continues to bubble – even though the stock and bond markets have gone quiet in recent months after surges last year.

The most significant, not to say startling, event of recent months has been the climax of a three-year battle over the future of GiroCredit, the former Girozentrale, the country's third-largest bank.

Giro has been a headache for Austria's bloated banking system since the late 1980s. The central clearing organisation for the country's large savings bank sector, it became excessively ambitious in the 1980s, spending more time on ill-considered expansions in international capital markets than on looking after its savings bank customers and owners.

However, as it was doing so, the two largest savings banks, Zentralsparkasse and Erste Oesterreichische, were busily building up their shareholdings in the bank. By the late 1980s, they together counted for a small majority, thus upsetting a delicate Conservative-Socialist balance that had long prevailed in the Giro supervisory board.

The significance of this change was that both Zentralsparkasse and Erste objected to Giro remaining a competitor on what they considered their turf – capital markets and retail banking – and they began to use their power on the board to curb the bank's executives.

In late 1991, Zentralsparkasse, which is controlled by the socialist municipal government of Vienna, took over the ailing Länderbank, and turned itself into a universal bank, Bank Austria.

This seemed to clear the way for Conservative Erste to merge with Giro and resolve the impasse, and negotiations were held. However, they soon broke off, allegedly because of bad blood between executives of the two banks, but more likely because the proud and successful Erste, with a balance sheet only three-fifths the size of Giro's, was unwilling to play second fiddle in the merged concern.

A year later, Giro executives, chafing under the continuing stand-off in their supervisory board, proposed another attempt. Erste was persuaded to put together a consortium of big provincial savings banks that would buy out Bank Austria's 30 per cent stake.

The negotiations proceeded at a stately pace reflecting the general lack of enthusiasm for the project until two months ago when Bank Austria became fed up with waiting for a solution and launched a formal bid of its own for control of Giro.

It rapidly became apparent that Bank Austria would win. The smaller savings banks could hardly be blamed for taking Bank Austria's cash rather than having to put their own money into a new Giro holding company in which their influence over Giro would be diminished.

The Austrian government has undertaken to sell its 70.5 per cent voting stake in CA

Bank Austria's plans for Giro are not yet clear, but it is likely to strip the bank down to its central clearing function. Among Bank Austria strategists, this structure is already known facetiously as Giro-Lite. Other departments – leasing, factoring, capital markets – will be merged with its own.

Giro's retail branches, ironically acquired with the takeover of Oesterreichisches Credit-Institut from Bank Austria two years ago, will probably be sold off to friendly savings banks.

Whatever happens, the operation will certainly result in a significant consolidation of Austria's bloated banking sector. As such, it is welcomed by other bankers looking for less cut-throat competition than they have had to live with for many years.

With the resolution of the Giro problem, the focus now turns again to Creditanstalt-Bankverein (CA), the country's second-largest bank. The Austrian government has undertaken to sell its 70.5 per cent voting stake in CA, but last year turned down two concrete proposals that were put to it.

CA executives favour a wide distribution of the shares in international markets but Mr Ferdinand Lacina, the finance minister, would rather place a large minority stake with a strong international bank. Mr Lacina says he wants to complete the sale this year.

That could turn out to be difficult if the current pipeline of new issues in the Austrian capital market remains full. Also, banking securities are no longer the favourites they were a few months ago.

The market is now absorbing one of the biggest initial public offerings ever seen, a Sch3bn issue from Mayr-Melnhof, a large, family-owned recycled paper and board group. This issue is, among other things, proof that the intensive effort of the past two years to breathe new life into the capital markets is paying off.

Among the more important reforms that came into effect at the beginning of this year was the abolition of the wealth tax. Previously, it was a disadvantage for a wealthy family to have a quoted value on its assets. Analysts say other family-controlled companies are soon likely to follow Mayr-Melnhof's lead.

Voest-Alpine Technology, the plant engineering arm of the former state-owned Austrian Industries, is the next big issue in the pipeline, with the privatisation of a majority of the shares scheduled for mid-May. VA-Tech's net income jumped by a third last year to Sch925m on sales of Sch22.5bn.

The state is also planning to sell later in the year its remaining 26 per cent stake in VA Eisenbahnsysteme, a railway technology company which was partially privatised in late 1992.

Other candidates still on the near term privatisation list include Vorarlberger Illwerke, a regional power utility that is to be sold to the Vorarlberg provincial government.

Further capital market reforms are also in the works. Following the amendment of the criminal law last year to make insider trading a criminal offence, the focus is now on prohibiting the use of anonymous bank accounts for securities transactions and creating a surveillance authority similar to the US Securities and Exchange Commission.

These moves are likely to occur following the national elections expected in October. In the meantime, Austrian capital markets leaders are planning seminars in London and New York in May to explain the progress they have made.

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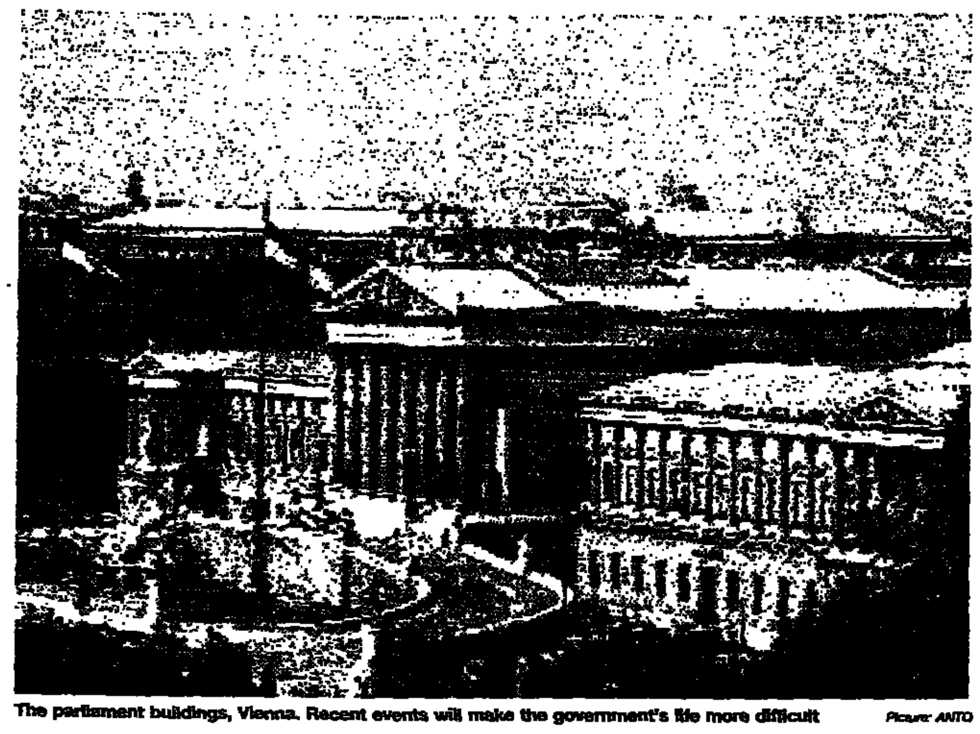


The parliament buildings, Vienna. Recent events will make the government's life more difficult Picture: ANTO

Vienna fears delays in Brussels, writes **Patrick Blum**

A hectic year for the politicians

This year is proving to be even more eventful than expected for Austrian politics. Provincial elections in March saw a surge in the protest vote and support for the extreme right and the Greens at the expense of the establishment parties.

Shortly afterwards, the European Union's unseemly debate on how to block decisions within the EU threatened to undo months of careful campaigning to win public support for Austria's EU membership bid. Both events will make the government's life more difficult.

A referendum on EU membership is set to take place in June – the favoured date is June 12 to coincide with Europe-wide elections to the European parliament. If all goes well, Austria could become a member on January 1 next year. But Vienna fears that delays in Brussels or in the European parliament could upset the timetable and reduce domestic support for membership.

The row within the EU over blocking rights had a negative impact on local opinion. "It looks bad. People can't understand what it's about. They are asking why should we join this mess," says one official.

This is a far cry from feelings three weeks earlier when Mr Alois Mock, the veteran foreign minister who headed Austria's negotiating team, was given a hero's welcome on his return from Brussels following agreement over membership terms.

Differences with the Commission over agriculture and transit traffic which threatened to derail the talks were successfully overcome in a deal that most politicians considered good, although it was immediately, and predictably, denounced by the Greens as a sell-out.

The results of the negotiations strengthened support for membership with the latest opinion polls showing more than 50 per cent in favour, and around 30 per cent against, with a diminishing number undecided. An extensive government campaign in favour of membership has had a positive impact -

officials are optimistic about the referendum, provided "the EU doesn't break down or there isn't another mismanaged crisis as in Bosnia," says another observer.

"If nothing [contrary happens] over the next 2½ months, the outcome will be positive. It could even be a much as 55 per cent in favour," says Mr Erhard Busek, the conservative vice-chancellor. Ironically, the strength of current support for EU membership has raised fears that people will not bother to vote.

The government also has other worries. Elections to provincial parliaments in Carinthia, Salzburg and Tyrol on March 13 turned out worse than expected for the social democrats (SPO) who lost ground across the three provinces. The conservative People's Party (OVP) fared relatively better, increasing its vote in Carinthia but losing voters in Salzburg and Tyrol. The new Liberal Forum failed to make a breakthrough or win any seats.

The victor was Mr Jörg Haider, the youthful-looking populist leader of the right-wing Freedom Party (FPO). The Greens also did well, although they were helped by local factors.

The FPO – which under Mr Haider's leadership has veered firmly to the far right with emotional campaigns against immigration – won more than 33 per cent of the vote in Carinthia and was a close second to the social democrats whose

The FPO also increased its share of the vote in Salzburg and Tyrol

share of the vote fell 8.5 per cent to 37.4 per cent.

Mr Haider wanted to win back the province's governorship which he was forced to relinquish three years ago after he made a speech apparently endorsing Nazi employment policies. But in spite of the FPO's strong showing, neither the social democrats nor the People's Party appear willing to enter into a coalition with Mr Haider.

The FPO also increased its share of the vote in Salzburg and Tyrol, and its success will give a boost to Mr Haider and his party for next October's general election.

The Greens were the other "winners", increasing their share of the vote to 10.5 per cent in Tyrol and 7.2 per cent in Salzburg province. Ms Madeleine Petrovic, the Green party leader, said the results provided "the best starting position for the general election", although support in Tyrol may have been heavily influenced by a mixture of concerns over lorry transit across the province, the local farmers' future once Austria joins the EU, and fears over foreigners buying up property.

Whatever the reasons, the results did not bode well for the two government coalition parties. Mr Franz Vranitzky, the social democrat chancellor, admits that his party may have taken its electorate too much for granted – "March 13 was a warning for the October elections."

The SPO's supporters did not vote, and he says the party will have to work hard to reverse that trend.

Both parties expect to lose some support at the general election, but Mr Busek is confident about the outcome: "It will be very similar. The government parties will lose a bit, with the social democrats losing more, but there is no alternative to a [grand] coalition," he says.

An alliance with Mr Haider's freedom party is politically impossible – "Haider has put his party out of political business. The FPO can't be in any coalition," says Mr Busek. The Liberals also look weak and, in what is still a strongly Roman Catholic country, may have been damaged by a debate in which they pressed for a full separation of church and state.

Mr Busek says that, for all its drawbacks, the current coalition offers stability at a time when Austria faces important changes, and this may be a winning argument.

The debate over EU membership has caused divisions within the Greens and FPO, with Mr Haider's business backers worried about the potential consequences of economic isolationism. The FPO leader said he would not tell supporters how to vote in the referendum, though a large majority of party members rejected EU membership in an internal party poll this month. About a quarter of the Greens also favour membership, and opposition to joining the EU has been politically weak and primitive, with wild claims about bureaucracy, corruption and the loss of thousands of jobs as result of membership.

Mr Busek and, it seems, a large proportion of the public, are unimpressed – "what counts is not what the parties say, but how people feel, and that's a good thing in a democracy."

The agreement to join will open a new era, writes **Ian Rodger**

Focus on EU entry terms

Most of Austria's diplomatic energies in the past year have been directed at negotiating the terms of entry into the European Union. There was no doubting the immense satisfaction in government and business circles at the settlement reached early last month.

However, the country has also remained active on other fronts, particularly concerning what it calls its neighbourhood, the countries of central and eastern Europe. It has also participated in the multilateral Middle East peace negotiations. And it has once again suffered an embarrassment with its state president.

The agreement to join the EU, provided it is ratified by a national referendum in June, will open a new era in Austrian political and economic affairs.

Mr Alois Mock, foreign minister, said after the conclusion of the negotiations that entry would enable Austria to regain its place at the heart of Europe after 40 years of forced neutrality.

"Thanks to its historical relations to the countries of central and eastern Europe, Austria will be able to make an important contribution to the policies of the union in this region," Mr Mock said. The country's economic and social stability, its hard currency and highly-trained workforce should also contribute to the integration process, he said.

As expected, the sticking points among the nearly 400 negotiating topics were agriculture and trans-Alpine transit, but Austria won satisfaction on both. A particularly aggressive sugar lobby won quotas beyond their expectations. "At times, we thought we were in a sugar negotiation, not an accession treaty," an Austrian diplomat says wryly.

On transit, serendipity appeared in the final tense stages of the negotiations when on February 20 the Swiss voted to ban all transit lorries from their Alpine passes from 2002. EU negotiators realised they had no choice but to concede to Austria's demand that the existing bilateral treaty forcing gradual reductions in lorry emission over the next decade.

The EU also magnanimously encouraged the European Investment Bank to help finance a Sch80bn rail tunnel through the Brenner pass to take the pressure off the motorway there. The upshot is that the immediate impacts on Austria of joining the EU look relatively modest. Manufacturing industries have already adjusted because of the activation of the European Economic Area (EEA) at the beginning of this year.

Mrs Maria Schaumayer, president of the Austrian National Bank, has served notice that the Austrian schilling will remain tightly tied to the D-Mark.

Mr Mock believes the biggest impact will be on farmers, whose lot will improve because of specially targeted national aid.

He also looks forward to the breakdown of quasi monopolies in many consumer product sectors as competition from EU producers increases. Already, Bavarian milk producers are upsetting the Austrian retail milk market, reportedly taking up to 15 per cent of the market.

Another area that will change is Mr

Austria has been particularly concerned about the former Yugoslavia

Mock's own department from which some 800 bureaucrats are expected to be despatched to Brussels to work in the European Commission.

Apart from its relations with the EU, Austria's main external preoccupation at the moment is with the nearby countries of central and eastern Europe.

Austria has tried in many ways to support their economic and political reconstruction because, as Mr Mock puts it simply, "Their stability is our stability." He points out that Austria's trade with Slovenia is already greater than its trade with Russia, and the government continues to try to mobilise support in other western European countries for financing infrastructure developments in these countries.

Austria has been particularly concerned about the former Yugoslavia and from 1990 to 1992 when it was in the UN Security Council, it made several proposals, such as the setting up of security zones and the sending of preventive peace forces, that were subsequently adopted.

However, sensitive to the complexity of neighbourly feelings, it has refrained from sending its own peacekeeping troops to Bosnia. Instead, it has sent troops to other trouble spots such as Rwanda, so that other UN forces would be available to serve in Bosnia.

The Middle East is another area of Austrian interest, following the long and sometimes controversial policy of the former chancellor Bruno Kreisky to promote ties with Arab countries. Dr Kreisky was the first western leader to invite Mr Yasser Arafat, the Palestine Liberation Organisation leader, to Europe, and the PLO's first representation in the West was opened in Vienna.

Last June, Mr Franz Vranitzky, the chancellor, signalled a return to a more balanced policy, becoming the first Austrian chancellor to visit Israel. He provided the long-demanded formal apology for Austria's involvement in the Holocaust. "We share moral responsibility because many Austrians welcomed the Anschluss, supported the Nazi regime and helped it to function," Mr Vranitzky said in a speech to the Hebrew University in Jerusalem.

"We admit to all that has happened in our history and to the deeds of all Austrians, be they good or bad. Just as we claim credit for our good deeds we must beg forgiveness for the evil ones, the forgiveness of those who survived and the forgiveness of the descendants of those who perished."

Austria's relations with Israel and many other countries were made awkward in the late 1980s because of the efforts by Mr Kurt Waldheim, its president, to cover up his record as an officer in the German army during the second world war.

Mr Waldheim finally stepped down in mid-1992, making way for Mr Thomas Klestil, the polished former chief of the Austrian diplomatic service.

Mr Klestil has worked hard to restore external links, making visits to several countries. But his value, too, came in doubt last winter when he admitted publicly that his marriage was in trouble because he was having an affair with an official in his office.

He dithered for some time over how to handle the situation and ended up losing both his wife and his mistress.

Manufacturing profile: Lenzig

Global expansion

It is always a surprise to find "the largest" of anything in a small country such as Austria.

Lenzing, the viscose, plastics and papers group based in the eponymous Austrian town near Salzburg, for example, is the world's largest producer of viscose, the wood pulp-based fibre that is the raw material for rayon and other woven and non-woven products.

Viscose has not been a growth sector for some time. On the contrary, the world market has long hovered around 2m tonnes a year, and prices are frequently under pressure as a result of competition with other fibres and low-cost producers in developing countries.

But Lenzing, in which two Austrian banks have large minority shareholdings, has followed a deliberate policy of increasing its concentration on viscose – which now accounts for three quarters of its Sch8bn annual revenue.

In the past two decades, the number of viscose producers in Europe has dropped from 25 to seven, but Lenzing believes the remaining three majors, including Courtaulds of the UK and Hoechst of Germany, can thrive on the basis of high quality products and service.

So it has consistently built up its capacity, and last year surpassed Birla of India to become the world's largest producer, with annual capacity of 268,000 tonnes in plants in Austria, the US and Indonesia.

The group has combined this expansion with a big commitment to research and development of new products, and is on the verge of large scale production of a new cellulose-based fibre called Lyocell.

In the early 1980s, the group was looking for ways to make better fibres from dissolving pulp. Viscose has a relatively poor image and an unpleasant smell and the production process requires a number of nasty chemicals, including carbon disulphide and caustic soda. Lenzing has had to spend Sch2.1bn since 1988 to make its mills environmentally friendly.

The answer, it hopes, is Lyocell, a fibre developed in the early 1980s by Akzo, the German chemicals group, that uses N-Methyl-Morpholine-Oxide (NMMO) as a solvent.

Lenzing is one of only two companies that have licences to use the basic Lyocell technology

For one thing, the production process is an energy-efficient closed loop, with both the NMMO and water being recycled. Lyocell fibres also have greater wet tenacity than viscose and better form stability.

Lenzing is one of only two companies – the other is Courtaulds – that have licences to use the basic Lyocell technology. Courtaulds has developed a fibre called Tencell, which has soft, peach fuzz characteristics.

Lenzing has been moving in a different direction, trying to perfect a fibre that will enable it to compete effectively against cotton and silk in high-quality, high-volume clothing lines, such as shirts, blouses and dresses.

In 1990, it started up a pilot plant in Lenzing to produce what it calls Lyocell by Lenzing.

By last year, the product was so good that the group could sell the 200 tonnes annual capacity at roughly two times the price of viscose.

Within the next few weeks, the group hopes to win approval of its supervisory board to invest more than Sch1bn in a full-scale 20m tonnes-a-year plant. A rights issue to finance it would be necessary, as the group's balance sheet has been weakened in the past few years by its heavy investments in pollution control equipment.

Moreover, in 1992, weak fibre prices undermined margins and the group fell into loss and a further loss occurred last year.

Undaunted, Lenzing continues to develop its viscose business. In August, 1992, it bought a 45,000 tonnes-a-year viscose plant in Tennessee from BASF and has since boosted capacity to 60,000 tonnes. Expansion of its plant in Indonesia was also completed in 1992 and a further $100m expansion is under consideration.

Last autumn, it won a Sch350m contract to build a 20m tonne viscose plant in China, with options to participate in the sector at a later stage.

And last month, it entered a 100,000 tonnes a year dissolving pulp joint venture in Brazil with Klabin Fabricadora de Papel e Celulose and the International Finance Corporation to secure raw material supplies for its viscose plants throughout the world.

Ian Rodger

Patrick Blum reports on the tourist industry

Hotel owners feel the pinch

One in every 20 foreign trips taken anywhere in the world leads to Austria, according to official tourism statistics. But while this testifies to the strength of Austria's tourism industry, the past two years have not been good years for hotel owners and tour operators.

The recession in Germany, devaluations in Britain and Italy, and a decline in the number of travellers from the US, combined to depress foreign currency revenues to Sch156.2bn last year, down from the record Sch161.2bn in 1991.

Arrivals and overnight stays were down in every province except Styria, in spite of considerable investment and marketing efforts. Officials hope that with Europe now gradually pulling out of recession, this year will bring better results, thereby helping improve declining profit margins.

Any improvement would also help accelerate recovery for the national economy, which in turn would encourage more Austrians to spend time away from home and boost domestic tourism.

A few statistics give an indication of the industry's economic and social importance.

Revenues from tourism account for about 8 per cent of gross domestic product, rising to 15 per cent of GDP if the leisure industries are included.

About 164,000 workers are employed directly in restaurants and hotels; another 100,000 are self-employed and, if workers in related activities including in boutiques, travel agencies, and leisure facilities, are included, the number of people employed directly and indirectly in the industry swells to about 400,000 – representing about 13 per cent of the total workforce. The net Sch61bn foreign revenue income from tourism – after deduction from what Austrians spend abroad – covers almost 62 per cent of the country's deficit in traded goods.

Official policy is to encourage moves up-market by offering better accommodation and service, and catering for special interests or "hobby tourism".

This includes special programmes for tennis, water sports or golf and for those interested in fishing, riding, or who want to improve their health and looks.

There is an "Allegro Austria" programme dedicated to music lovers, and there are special programmes for families with small children. "These programmes have been very successful," says Mr Michael Raffling, head of the hotels and restaurants section in the Austrian Economic Chamber.

To take advantage of Austria's plans to join the European Union next year, the government recently announced that it would invest Sch3m-Sch4m in a special campaign throughout Europe on the theme of "Come and see the new member".

Meanwhile, the number of high standard hotels of five and four stars has risen steadily since the early 1980s from just over 100,000 in 1981 to 163,664 last year.

The number of two stars and single-star hotels has declined by about 100,000 to 278,916 in the same period. The number of middle range, three-star hotels has risen by about 50,000 to 240,146.

Most tourists come from western Europe with visitors from Germany accounting for 67 per cent of overnight stays, followed by visitors from the Netherlands with about 8.7 per cent; Britain with 3.8 per cent; Switzerland, the Benelux countries, and Italy whose share of overnight stays is down by more than 22 per cent.

There has been a steady flow of visitors from the former communist states of central and eastern Europe, raising the occupancy rates for cheaper accommodation.

Spending by east Europeans has grown since the early days immediately following the collapse of communism when many visitors came on one-day coach trips to look at the city and spend practically nothing.

The opening up of eastern Europe has brought some competition for Vienna from Prague and Budapest, but generally it has had positive effects, as more people have wanted to travel in the region. Many visitors want to combine a trip to the three cities. Agents are increasingly offering "magic triangle" programmes, especially to visitors from the US.

Outside the main cities, competition from the former Czechoslovakia, Hungary and other east European countries is limited by the range and quality of what they can offer, and while Austria is more expensive, it offers better service and infrastructure and a wider choice of activities in a cleaner environment.

Decades of investment and training were needed to make Austria's tourism industry one of the world's most successful, but it still faces a number of problems.

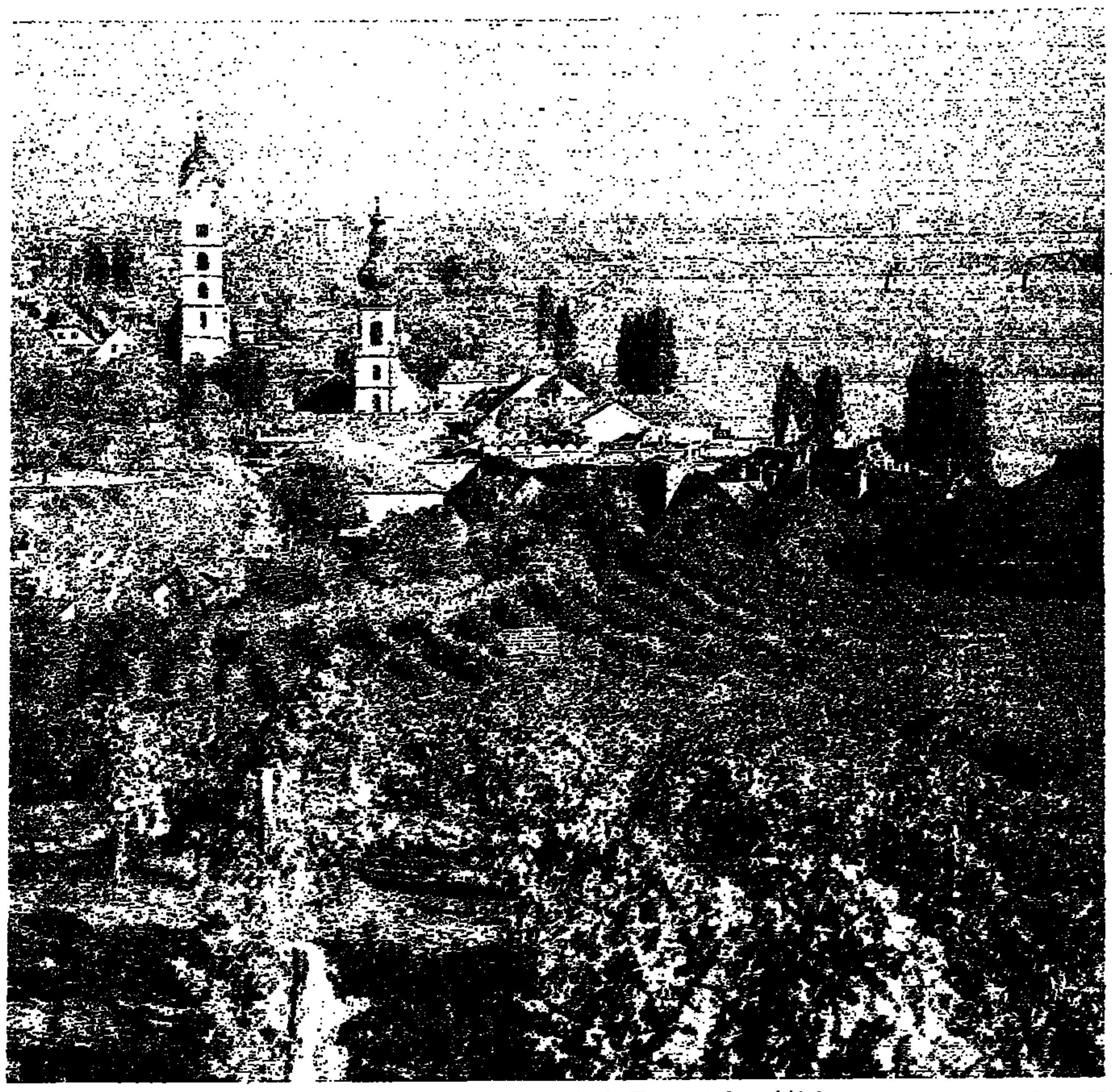
Efforts to stagger domestic holidays have had little success so there is still overcrowding at popular spots, particularly in the winter.

The costs of environmental protection for a wide range of activities – from waste disposal to ski runs – are rising rapidly. Community services and labour costs are also rising fast.

"The introduction of the five-day week in 1992 has noticeably increased costs," Mr Raffling says.

Environmental concerns can also make promotion more difficult. One idea was to have summer festivals in all the provinces, but it has met strong opposition from environment groups.

However, Mr Raffling says there is also a positive side which can be developed to Austria's advantage. "On one hand it creates a lot of problems, but guests are also becoming more and more environment conscious, and we are well placed to meet that demand."

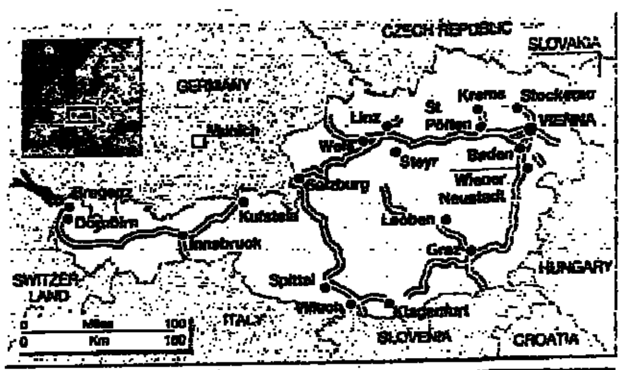


Most tourists come from western Europe with visitors from Germany accounting for 67 per cent of overnight stays

Picture: ANTO

AUSTRIA: KEY FACTS

Area .... 83,850 sq km
Population .... 7.9 million
Head of state .... President Thomas Klestil
Currency .... Schilling (Sch)
Exchange rate (av) ...1992: \$1=Sch 10.99   1993: \$1=Sch 11.54



ECONOMY

	1992	1993
Total GDP at current prices (\$ billion)	185.3	180.5
Real GDP growth (%)	1.5	-0.25
GDP per capita (\$)	23,450	22,750
Federal government deficit/GDP (%)	3.3	4.0
Public sector deficit/GDP (%)	2.0	2.5
Consumer prices (annual % change)	4.1	3.1
Wholesale prices (annual % change)	-0.25	-0.4
Industrial production (annual % change)	-1.1	-0.8 *
Unemployment rate (% of labour force) [1]	3.6	4.2
Discount rate (%, end period)	8.1	6.4 *
Govt bond yield (%, end period)	8.3	6.6 *
Total reserves minus gold (\$billions)	12.38	14.6
Narrow money growth, M1 (% per annum)	6.2	7.6 *
Broad money growth, M3 (% per annum)	4.2	4.5 *
Current account balance (\$bn)	-0.7	-0.9
Trade balance (\$bn)	-9.6	-8.4
Main trading partners (1992, % by value)	Exports	Imports
Germany	38.8	42.9
Italy	8.8	8.6
Switzerland	5.9	4.0
EU	66.1	67.9
EFTA	8.6	6.8
Eastern Europe	11.0	7.3

Sources: IMF, Datastream, EIU, National Government   [1] OECD definition * EIU estimate

The agriculture sector is uncompetitive, writes **Patrick Blum**

Tough adjustments ahead

A collective sigh of relief greeted the news that Austria's negotiators in Brussels had finally reached agreement on European Union membership terms covering agriculture.

A "good" deal was seen in Vienna as crucially important if the government was to win support for a June referendum on joining the EU. In the event, most politicians saw last month's outcome to the negotiations as positive for Austria, and more importantly it was perceived that way by much of the public.

Even so, the government will be hard put to calm local fears about the impact of joining the EU. Austria's uncompetitive agriculture faces some tough adjustments.

The EU deal allows Austria to continue to subsidise its farmers for a period with generous financial help from Brussels, but it also requires Austria to open its market to competition with prices aligned on EU prices from day one of membership. There will be no soft transition period.

Austria will be able to limit imports of cereals, poultry, pork and milk over a four-year period. It was granted an annual milk production quota of 2.5m tonnes – less than the 2.9m tonnes it had originally sought but seen as an acceptable compromise in Vienna. A sugar quota of a little over 390,000 tonnes roughly meets real annual sugar production rather than the theoretical 450,000-500,000 tonnes claimed in the negotiations.

Mr Franz Fischler, agriculture minister, says the immediate cost of reducing prices to EU levels will be about Sch4bn. The EU is expected to provide about Sch2.8bn in environment-designated financial help in addition to standard support from its regional and social funds.

It is also hoped farmers will benefit from free access to EU markets, but the benefits may be delayed until Austria develops both better marketing and distribution networks.

Meanwhile, Mr Fischler is confident that Austrian agriculture can succeed with new products and markets. "Austria can develop niche markets for environmentally sound produce. Biological farming production in Austria already is the biggest in Europe," he says.

Adjustment will be difficult but, he says, Austrian agriculture was already facing difficult changes under the new General Agreement on Tariffs and Trade. Even if Austria did not become a member of the EU, its agriculture would face serious problems. "Access to traditional markets in the EU would be limited and burdened with duties. Reduction of subsidised export quantities by 21 per cent and export subsidies by 36 per cent as stipulated in the Gatt agreements would worsen Austria's position," said a recent agriculture ministry report.

Migration from the land at an annual rate of about 5 per cent threatens long-term prospects

Austrian agriculture is hampered by difficult local conditions, low productivity, narrow markets and poor distribution networks. Migration from the land at an annual rate of about 5 per cent also threatens long-term prospects. With a farmer's average income less than half that of an industrial worker, considerable incentives will be needed to keep people on the land.

There are about 270,000 farms in Austria, most of which are family owned. About half are smaller than 10 hectares and 45,000 are smaller than three hectares. One in three farmers works full time on their farm, and two thirds rely on a second job to supplement their income. Altogether farming employs about 5.5 per cent of the population, although it contributes only 2.4 per cent of gross domestic product.

Local climatic and land conditions make farming more difficult than in other European countries. More than 64 per cent of agricultural land is in mountain areas, and more than 60 per cent of farmers are Alpine farmers – a higher proportion than in any other EU country. Mountain land is difficult to tend, the use of machinery is limited and much of the work has to be done manually.

Because it is economically and socially important for Austria to keep people on the land – a large number of farmers help to sustain the economically vital tourist industry – farming is encouraged with a wide range of subsidies, and by any estimate, support will be needed for years to come. Modernisation and productivity improvements are likely to be slow.

Further down the food chain, the domestic food processing industry faces similar problems. Mr Werner Teufelsbauer, director of economic policy at the Austrian Economic Chamber, says both sectors will experience a shock as markets are opened up and protection ends.

He says Austria's exclusion from the EU for 20 years has not prepared it for the challenge and opportunities of a much wider market. It will take time and money to establish new market systems. Meanwhile, "quite a lot of companies could go bankrupt or be bought up by French or German ones," he says.

The food processing industries employ about 40,000 people, but make mainly basic products on an uncompetitive scale, he argues.

An example of things to come is provided by the rapid inroads of German producers of dairy products who have picked up 15 per cent of Austria's market in milk and yoghurts in the three months since the European Economic Area came into effect last January. Other sectors will face similar challenges.

Mr Alois Mock, the foreign minister who headed Austria's negotiating team in Brussels, is more optimistic. He says conditions for farmers, and especially mountain farmers, will improve during the transition as a result of the agreement. But no-one doubts there will be pain as well as benefits. "There will be tougher competition and we will see restructuring at the local level," he says.

Manufacturing profile: VA Eisenbahnsysteme

A world leader in its field

Mention Austria to railway technology buffs and they will think first about Plasser & Theurer, the formidable family firm that makes a machine that simultaneously pulls up old track and lays down new.

But Austria has another company that dominates a niche in the international railway technology business. VA Eisenbahnsysteme, formerly part of the state-owned Voest-Alpine steel and engineering group, is a world leader in the manufacture of points (switches) for high-speed and heavy-duty rail lines.

It also makes other sophisticated rail-related equipment, such as trackside devices for detecting overheated rolling stock axles (hot boxes).

Until 1989, VAE was just a division within Voest-Alpine, sharing facilities and management with the group's tunneling equipment division at Zeltweg in the middle of Styria. The first switches were made there in 1866.

Its reputation for quality was such that it had very large market shares, especially with European railways.

So when VA bosses began looking internally for candidates for privatisation, the points business rapidly emerged at the head of the list.

A proper corporate structure was set up and the company launched itself more systematically into overseas markets. VAE was convinced that demand for railway infrastructure was on the verge of huge growth in many countries.

At an early stage, the decision was made to carry out expansion through subsidiaries and joint ventures rather than export, not least because of the bulkiness of the products. VAE has moved rapidly, thanks in part to nearly Sch500m in new equity provided by a partial privatisation in December 1992 and a rights issue last November. It now has outlets in the US, Canada, Australia and Hungary.

Group sales and profits have grown rapidly in the past three years

The group's product line is vast, covering every conceivable type of point for tram lines, cog railways, cable railways, standard railways and even some that serve rail lines of more than one gauge.

Its success is built on sophisticated welding techniques and cast steel crossings that make its points more durable than those of its competitors, and on its know-how for designing the extremely gently curved points that trains can negotiate at up to 200kph.

In 1992, after a one-year inspection, it was awarded the ISO 9001 norm by Lloyds of London for its quality assurance system.

The group also makes electronic point diagnosis systems which provide constant surveillance and set off alarms when trouble is detected.

Group sales and profits have grown rapidly in the past three years. Last year, consolidated net income jumped 18 per cent to Sch81.3m on sales up 21 per cent to Sch1.7bn, and the directors are forecasting further growth this year.

After a difficult start at Sch915 in a weak market in December, 1992, the shares have been among the best performers in the Austrian market. They rose to a peak of Sch1,585 at the end of last year and the trend continued in the first quarter of this year.

The state holding company OIAG is expected to sell its remaining 26 per cent stake in the group in the autumn.

Ian Rodger